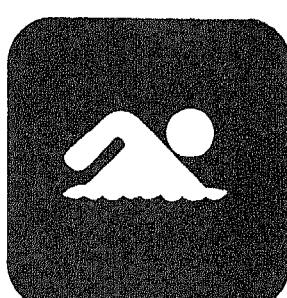
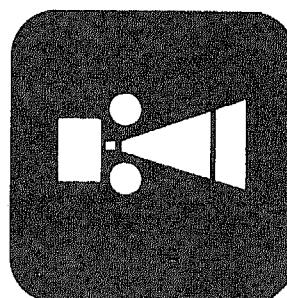
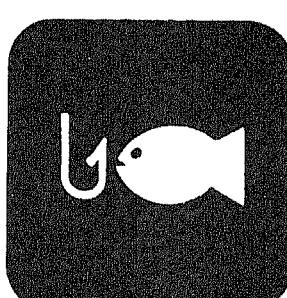
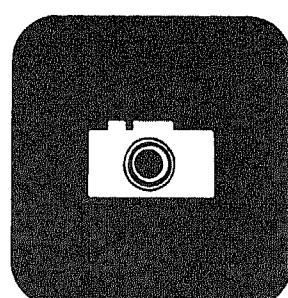
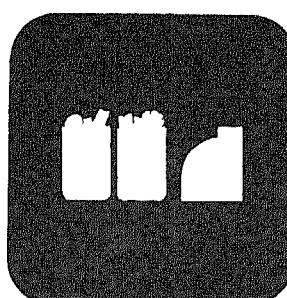
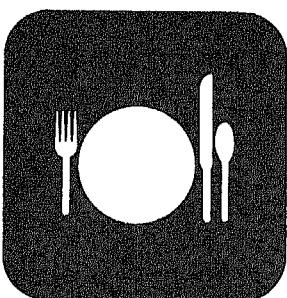
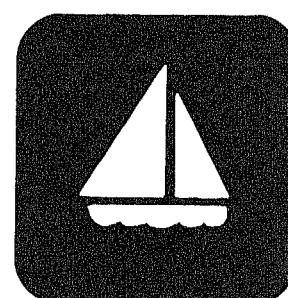
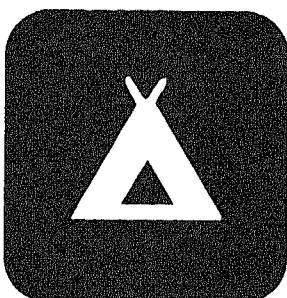
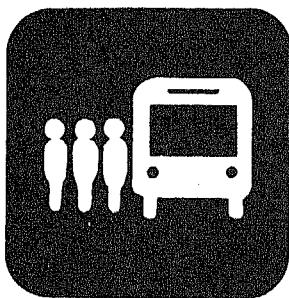


SI.69:226

9/10/69  
S. J. G.

Guidelines for  
**Employee  
Associations  
Overseas**



United States Department of State  
Office of Operations

RETURN TO GOV. DOCS. CLERK

**DEPARTMENT OF STATE PUBLICATION 9177  
Department and Foreign Service Series 226**

*Released March 1981*

# CONTENTS

	Page
<b>Foreword.....</b>	iii
<b>Section I: General Guidelines for Establishing and Operating an Employee Association.....</b>	1
Introduction .....	1
Determining Need.....	1
Initial Approval Process.....	1
Support Arrangement for a Facility .....	1
Ability of the Operation.....	1
Relations With the Host Country .....	1
Constitution and Bylaws.....	2
Membership .....	2
Capitalization .....	2
Responsibilities.....	2
Principal Officer.....	2
Board of Trustees.....	3
Association Manager.....	3
Office of Operations, Department of State .....	4
Oversight and Review .....	4
Operational Management.....	4
Personnel: Recruitment and Employment.....	4
Support Provided by the Post.....	5
Bonding and Insurance Requirements .....	5
Financial Management .....	5
Voucher Control.....	6
Inventory Control.....	6
Audit Procedures .....	6
Markup Policy .....	6
Credit Policy .....	6
Investment of Assets .....	7
Central Commissary and Recreation Fund .....	7
Malfeasance or Theft.....	7
<b>Section II: Guidelines for Establishing an Accounting and Financial Reporting System .....</b>	<b>9</b>
General Considerations .....	9
Books of Account.....	9
Outline of the System .....	9
Cash Receipts Register .....	9
Voucher Register (Disbursements and Journal Vouchers) .....	9
Sales Register.....	9
Chart of Accounts and Numbering System.....	11
System Objectives.....	11
Numbering System .....	11
Basic Account Classification .....	11
Activity and Subactivity Classification .....	11
Accounting Forms .....	14
Check Register.....	14
Payment Request .....	14
Daily Cash Report.....	16
Facility Profit and Loss Statement .....	18

	<i>Page</i>
Consolidated Profit and Loss Statement .....	18
Balance Sheet .....	18
Financial Analysis .....	22
<b>Section III: Guidelines for Establishing a Procurement System.</b>	<b>23</b>
General Considerations .....	23
Contracts for Services .....	23
Sources of Merchandise, .....	23
Procurement Records and Forms .....	24
Purchase Order .....	24
Purchase Order Register .....	24
<b>Section IV: Guidelines for Establishing and Maintaining an Inventory Control System .....</b>	<b>27</b>
General Considerations .....	27
Fixed Assets/Nonexpendable Equipment .....	27
Depreciation and Sinking Funds .....	27
Fixed Assets Inventory Sheet .....	27
Merchandise and Expendable Supplies .....	30
Stock Records and Reports .....	30
Stock Value .....	36
Replenishment .....	36
<b>Section V: Guidelines for Constitutions, Bylaws, and Contracts</b>	<b>39</b>
Constitutions, Incorporated and Unincorporated .....	39
Bylaws .....	44
Contracts .....	47
<b>Section VI: Guidelines for Job Descriptions .....</b>	<b>49</b>
General Manager .....	49
Manager's Secretary .....	49
Accountant .....	49
Bookkeeper .....	50
Payroll Clerk .....	50
Cashier .....	50
Restaurant or Food and Beverage Manager .....	50
Chef or Chief Cook .....	51
Dining Room Manager .....	51
Athletic Director .....	51
Lifeguard or Pool Manager .....	51
Commissary Store Manager .....	51
Warehouse Manager/Supervisor .....	52
<b>Section VII: Financial Assistance From the Central Commissary and Recreation Fund .....</b>	<b>53</b>

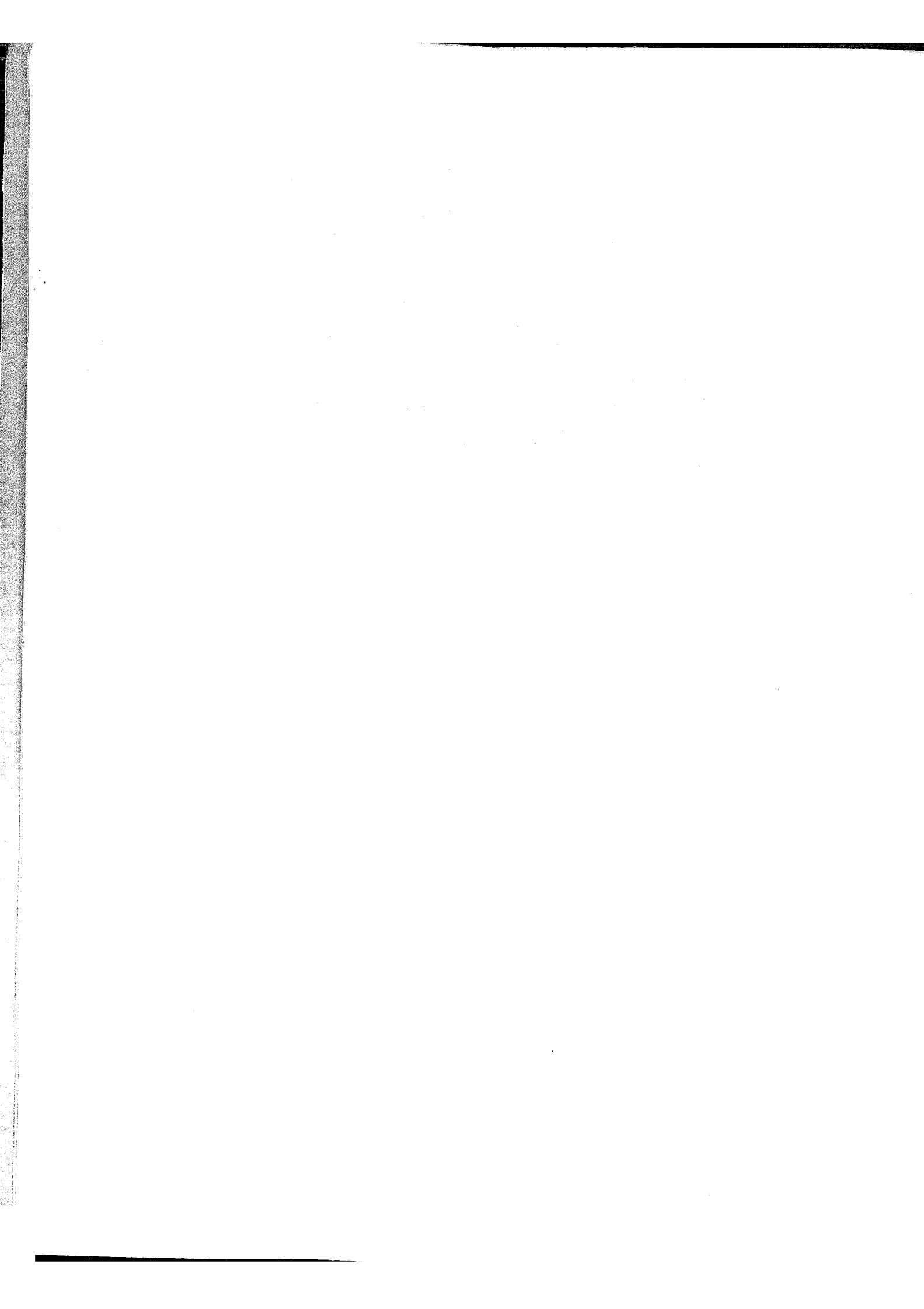
## **FOREWORD**

This handbook is the compilation of official regulations, guidance, and the experiences of many posts, offices, and individuals. It is intended as a guide to the successful establishment and operation of a responsive, financially sound association that provides services and facilities to official Americans overseas. Though many of the examples and procedures are meant to serve as models, to be adapted as necessary to local conditions and needs, adherence to the basic outlines provided will enhance the transferability of experience and comparative evaluation.

The Foreign Service Act of 1980 restates the authority of the Secretary of State to authorize and support employee associations overseas; this authority to approve the establishment and oversee the operation of such associations has been delegated to the principal officer at each post. The leadership of the association is, of course, responsible to the members and to the principal officer at post for the effective operation of the association and its facilities. This handbook provides guidance and safeguards to promote a beneficial outcome to association ventures. Needs and opportunities change, and employee associations must retain their vitality and imagination if they wish to fulfill their purpose and potential.

Questions, comments, and suggestions concerning the *Guidelines* should be directed to the Office of the Deputy Assistant Secretary for Operations.

January 1981



## **SECTION I**

### **General Guidelines for Establishing and Operating an Employee Association**

#### **Introduction**

Many considerations enter into a post's decision to form an employee association and/or open certain facilities. In view of the complexity and responsibility inherent in an association of this type, the initial investigation of the feasibility of such an operation should be conducted in an open and deliberate fashion by a committee appointed by the principal officer at post and chaired by his/her representative. When it is feasible and practical, all Agencies represented at post should be represented on this committee. The committee must address the following questions:

- Does a need exist for the association and/or the facility?
- What would be the association/facility's primary objectives?
- What effect would such an operation have on the post's relations with the host government? What host country legal constraints exist on such an organization?
- Could the operation be self-supporting?
- Does the post have the capital, personnel, facilities, and logistical capability to establish and operate such a facility?

#### **Determining Need**

An employee association/facility is justifiable when it would improve the health and welfare of Government employees and their dependents. More specifically, a real need exists when some or all of the following factors are present:

- Nutritionally satisfactory provisions are not available locally;
- Proper sanitary methods are not used in the cultivation, processing, or marketing of foodstuffs;
- Personal, household, sanitary, or medical products are not available on the local market;
- Local prices are excessively high;
- Customs regulations, local taxes, and other regulations create procurement and distribution difficulties for host country vendors;
- Commercial outlets for everyday items are accessible only at great inconvenience;
- Consolidation of individual orders would result in savings in documentation, customs clearance, and handling for both the post and the host government. It also would benefit the individual by expediting shipments and avoiding the need to order excessive quantities;
- These facilities would provide a necessary boost to employee morale; and
- Recreational facilities in the host country are inadequate or inaccessible.

#### **Initial Approval Process**

The approval of the principal officer is required by regulations (6 FAM 500) for the establishment of an employee association. The principal officer must consider the need for the service, the economic feasibility of the proposal, the political implications, and the availability of services provided by other U.S. Government Agencies.

Separate or additional facilities for the U.S. International Communication Agency (USICA) or the International Development Cooperation Agency (IDCA) must have prior approval of USICA or IDCA, Washington.

#### **Support Arrangement for a Facility**

A prime consideration is the determination that the post would be able to obtain the needed logistical support for the facility. The committee should ascertain that regular supply lines could be established. Space for the facility should be located and examined. Personnel requirements should be clearly determined (i.e., number of employees needed to run the facility and the additional workload for the Embassy's existing staff).

#### **Ability of the Operation**

The committee must make the determination that the operation would be financially viable, i.e., self-supporting. A key ingredient is the size of the post—the number of potential customers. The greater the number of members, the better the chances for capitalizing the operation and for selling inventory in a timely fashion. Given the size of the post, the committee should determine what measures would be needed to assure that the facility could sustain itself. If the measures would be potentially divisive, unpopular, or unduly restrictive, the need for the facility should be reexamined.

Every effort should be made to ascertain that the new facility will not duplicate services provided by any other U.S. Government Agency.

#### **Relations With the Host Country**

The committee should examine all the political implications of the proposed facility. Will the host government view the operation as a threat to local merchants? Can duty-free entry of merchandise be arranged with minimal difficulty? Will the existence of such a facility cause isolation of Americans from local activities? Is there a danger of unfavorable press reaction to the existence of such an operation?

In all cases, agreement with the host government should be reached before a commissary may be established. It is appropriate for the mission to contact the host government to conduct negotiations. The type of negotiation will vary: A formal agreement, outlining the proposal in some detail, may be concluded by an exchange of notes; or an informal understanding may be reached. Obviously, a written agreement has the advantages of clarity, understanding, and continuity.

Regardless of the form of agreement, the negotiation stage is a good time to obtain the host government's advice on the form of organization the association should take (incorporation or association),

and what rights and obligations the organization would have under the host country's legal system.

## Constitution and Bylaws

The employee association must first address itself to certain fundamental questions such as membership, capitalization, and organization. It must also decide on basic operational policies. A committee should be appointed (by the principal officer) or elected (by the mission community) and assigned responsibility for drafting a constitution and bylaws to serve as a framework for the organization's establishment and operation.

The first question to be resolved is whether the constitution should be articles of association or articles of incorporation. The decision should be reached after consultation with the host government; proper legal guidance is essential. Questions to consider include whether an American corporation is allowed to import articles duty free for resale and whether articles of association protect the individual member's assets in case of default by the association.

Samples of articles of association and articles of incorporation are included in Section V. Either document answers fundamental questions about membership, capitalization, and organization.

In addition to the constitution, the committee should draft bylaws which will establish working procedures to implement the articles. Topics such as duties of association officers, frequency and location of meetings, and qualifications for membership should be covered.

The bylaws should conform closely to the articles because the articles and bylaws together form the legal base for the association, giving it form, structure, and continuity. Both documents should contain provisions for amendment.

## Membership

Decisions on who can participate in the association can be very sensitive. Careful planning is necessary; clearly defined rules of eligibility must be agreed upon and followed from the beginning.

Guidelines for granting membership are set forth in 6 FAM 500. In general, membership is restricted to U.S. citizens who are employees of the U.S. Federal Government acting under the jurisdiction of the Chief of Diplomatic Mission and assigned to that host country or traveling on official orders, and to their dependents. Voting membership must be limited to U.S. citizen employees of the U.S. Government at post. In addition, special membership, with varying degrees of access to association facilities, may be granted to the following categories of individuals with the approval of the principal officer:

- Contract employees of U.S. Government Agencies stationed abroad. These employees may be extended privileges if the privileges are not inconsistent with the laws of the host country and the terms of their contract employment agreement (e.g., do they have duty-free import privileges);
- U.S. Federal Government employees at constituent posts. Privileges are usually granted to these employees without exception;
- U.S. Federal Government employees on detail or transfer to international organizations; and
- Employees of local or third-country nationality and their dependents. In general, these employees may be granted access to restaurant and recreation facilities but cannot use the commissary because they do not have duty-free import privileges.

Associations should avoid a conflict with the host government over granting privileges to local or third-country nationals in order to protect privileges of bona fide employees of the U.S. Government.

## Capitalization

Employee association members are expected to capitalize the association. The post's investigatory committee should determine beforehand the amount of capital required.

Capital can be obtained through nonrefundable membership fees and/or refundable deposits made by mission employees. The fee and deposit schedule can be established as a percentage of base salary, or a scale of fixed amounts can be developed based upon rank and/or number of dependents. The refundable deposit is regarded as noninterest-bearing, and is returned to the employee upon separation or transfer. After the association has been operating for some time and adequate reserve funds have accumulated from operations, the discontinuation of nonrefundable fees may be possible. The association Board of Trustees should periodically review the size and method of determining the deposit; trustees should insure that the deposit is the minimal financial burden possible consistent with the association's financial well-being.

When the association's capital requirements cannot be met at post, the Board of Trustees can consider submitting a request for an interest-free loan to the Central Commissionary and Recreation Fund Board. Requirements and procedures for submission are outlined in Section VII.

## Responsibilities

### Principal Officer

The principal officer is delegated authority to authorize and assist in the establishment, maintenance, and operation, by civilian officers and employees of the Government, of non-Government-operated services and facilities at post. The principal officer should be satisfied that the association is in compliance with Department policy in the following areas:

- The need for an association continues to exist and the association is responsive to the needs of the post and its personnel;
- The association does not duplicate similar services or facilities performed by another U.S. Government Agency;
- The association does not adversely affect our public relations with the citizens and/or the government of the host country; is not a cause of embarrassment to the local business community, the Department of State, or the mission; and is not a cause of resentment among local or American business and professional groups;
- U.S. Government personnel do not use their official titles or positions when acting in the name of the association and they assume no personal liability for the obligations of the association;
- The Board of Trustees is carrying out its responsibilities to oversee the operation of the association in accordance with Department regulations and the association's constitution and bylaws. The Board is representative of the various Agencies at post and members have a voice in the association;
- Membership in the association is granted in accordance with the association's constitution and bylaws, host country statute and policy, and Department of State regulations;
- The financial management is sound and the financial reports are prepared correctly and on time. The independent audit has been

performed for the current fiscal year and the results have been discussed with the Board of Trustees and the manager of the association;

- Copies of the balance sheet, the profit/loss statement, and the external audit are forwarded to the Department (A/OPR) in accordance with schedules in 6 FAM 500. A copy of the association's constitution and bylaws, and any amendments to them, must be provided to A/OPR;
- Adequate safeguards exist to guarantee that theft, malfeasance, or misappropriation of funds does not occur and that local customs and labor laws are not violated; and
- The association's excess reserves should be invested in recreation or welfare activities or donated to the Central Commissary and Recreation Fund.

The principal officer or designated representative thereof should insure that:

- Bond coverage for all association employees is adequate for the type of job performed by each employee;
- Insurance coverage of the association's assets is adequate and includes public liability, fire, wind, water, and theft;
- A prudent procurement system, which is not in conflict with Federal Procurement Policy, is written out for the manager to follow;
- A system for control of inventory has been instituted which is as good as that recommended in Section IV;
- The accounting system of the association is as good as that recommended in Section II;
- All monies received are entered in the receipts register and deposited in the bank daily (if possible) and only the manager or designated alternate has control of the cash register keys;
- All debts of the association are paid by check (except small petty cash purchases and, where necessary, salaries of local personnel) and all checks are countersigned by a designated member of the Board of Trustees; and
- Nonscheduled or unannounced cash counts are being conducted at least once per month, irregularities or variances noted; cash is safely secured and segregated from other monies.

## **Board of Trustees**

The Board of Trustees assumes responsibility for administration and oversight of the employee association. The Board is elected by the membership; one or more additional members may be appointed by the principal officer. Its duties are to:

- Determine goals, objectives, and philosophy of the association and formulate policies to achieve them;
- Select and appoint the manager and provide policy guidelines and sufficient authority to discharge normal responsibilities;
- Administer and oversee the association's operation in accordance with constitution and bylaws;
- Schedule and develop agendas for general and Board meetings in accordance with requirements set forth in the bylaws;
- Establish and administer policy on membership in accordance with the association's constitution and bylaws, host country laws, and Department of State regulations;
- Appoint committees as needed to study proposals or problems facing the association and to provide broad-based input on community needs and desires in areas of procurement and available services;
- Ascertain that the association's financial statements are

prepared and studied properly, that annual outside audits are performed and recommendations of reports are examined and adopted as appropriate, and that semiannual financial statements are submitted to A/OPR in accordance with 6 FAM 500;

- Assure that excess funds (above those needed to maintain the association) are disposed of in accordance with 6 FAM 500;
- Review activities of the manager and the committees to determine that the association is functioning on a sound financial and managerial basis in accordance with its constitution and bylaws, host country laws, and Department of State regulations;
- Insist that managers and employees are placed under contract, with the manager's contract containing clauses requiring compliance with the "Code of Conduct" as applicable to direct-hire mission employees and assumption of responsibility for the association's assets (NOTE: The failure of the Board to designate responsibility and accountability could be in violation of bonding regulations or requirements and result in nonreimbursement for fraud or losses.); and
- Inform principal officer of the association's financial condition and current activities and report any problems or difficulties encountered or any new projects contemplated.

## **Association Manager**

The manager is responsible for the day-to-day operations of the facilities. Duties include a wide range of professional activities but the major concerns are:

- To develop and administer programs which implement the Board of Trustees' policies and directives;
- To insure, through application of sound and efficient managerial practices, that the association's membership is provided with the best goods and services at the lowest price and in the most expeditious fashion;
- To provide the Board with regular status reports including monthly financial reports on operational conditions and trends; and
- To oversee the day-to-day operations of the facilities and assume operational responsibility for procurement, customs clearance, personnel, accounting and cash control, inventory and property management, and maintenance of the facilities.

**A Recommended Checklist for Employee Association Managers.** The following is a comprehensive list of areas of vital importance for managers of employee associations. The success or failure of a business, in most cases, is not due to one major problem, but rather to a series of minor ones. This checklist has been compiled to assist managers in identifying those areas that cause the most nagging problems and are often overlooked.

- Nonscheduled or unannounced cash counts, at least once per month, of all petty cash and imprest fund accounts are being conducted and irregularities and variances noted, with periodic updating of the signatures of the fund holders;
- All financial statements and reports are prepared and submitted on time and the information contained therein has been verified, and is correct;
- A budget has been prepared and submitted to the Board of Trustees for approval and all efforts are being made to operate within its limits;
- An independent audit is being performed at least once per year, attempts to comply with the recommendations are being instituted, and a copy is forwarded to the Department, A/OPR;

and what rights and obligations the organization would have under the host country's legal system.

## Constitution and Bylaws

The employee association must first address itself to certain fundamental questions such as membership, capitalization, and organization. It must also decide on basic operational policies. A committee should be appointed (by the principal officer) or elected (by the mission community) and assigned responsibility for drafting a constitution and bylaws to serve as a framework for the organization's establishment and operation.

The first question to be resolved is whether the constitution should be articles of association or articles of incorporation. The decision should be reached after consultation with the host government; proper legal guidance is essential. Questions to consider include whether an American corporation is allowed to import articles duty free for resale and whether articles of association protect the individual member's assets in case of default by the association.

Samples of articles of association and articles of incorporation are included in Section V. Either document answers fundamental questions about membership, capitalization, and organization.

In addition to the constitution, the committee should draft bylaws which will establish working procedures to implement the articles. Topics such as duties of association officers, frequency and location of meetings, and qualifications for membership should be covered.

The bylaws should conform closely to the articles because the articles and bylaws together form the legal base for the association, giving it form, structure, and continuity. Both documents should contain provisions for amendment.

## Membership

Decisions on who can participate in the association can be very sensitive. Careful planning is necessary; clearly defined rules of eligibility must be agreed upon and followed from the beginning.

Guidelines for granting membership are set forth in 6 FAM 500. In general, membership is restricted to U.S. citizens who are employees of the U.S. Federal Government acting under the jurisdiction of the Chief of Diplomatic Mission and assigned to that host country or traveling on official orders, and to their dependents. Voting membership must be limited to U.S. citizen employees of the U.S. Government at post. In addition, special membership, with varying degrees of access to association facilities, may be granted to the following categories of individuals with the approval of the principal officer:

- Contract employees of U.S. Government Agencies stationed abroad. These employees may be extended privileges if the privileges are not inconsistent with the laws of the host country and the terms of their contract employment agreement (e.g., do they have duty-free import privileges);
- U.S. Federal Government employees at constituent posts. Privileges are usually granted to these employees without exception;
- U.S. Federal Government employees on detail or transfer to international organizations; and
- Employees of local or third-country nationality and their dependents. In general, these employees may be granted access to restaurant and recreation facilities but cannot use the commissary because they do not have duty-free import privileges.

Associations should avoid a conflict with the host government over granting privileges to local or third-country nationals in order to protect privileges of bona fide employees of the U.S. Government.

## Capitalization

Employee association members are expected to capitalize the association. The post's investigatory committee should determine beforehand the amount of capital required.

Capital can be obtained through nonrefundable membership fees and/or refundable deposits made by mission employees. The fee and deposit schedule can be established as a percentage of base salary, or a scale of fixed amounts can be developed based upon rank and/or number of dependents. The refundable deposit is regarded as noninterest-bearing, and is returned to the employee upon separation or transfer. After the association has been operating for some time and adequate reserve funds have accumulated from operations, the discontinuation of nonrefundable fees may be possible. The association Board of Trustees should periodically review the size and method of determining the deposit; trustees should insure that the deposit is the minimal financial burden possible consistent with the association's financial well-being.

When the association's capital requirements cannot be met at post, the Board of Trustees can consider submitting a request for an interest-free loan to the Central Commissionary and Recreation Fund Board. Requirements and procedures for submission are outlined in Section VII.

## Responsibilities

### Principal Officer

The principal officer is delegated authority to authorize and assist in the establishment, maintenance, and operation, by civilian officers and employees of the Government, of non-Government-operated services and facilities at post. The principal officer should be satisfied that the association is in compliance with Department policy in the following areas:

- The need for an association continues to exist and the association is responsive to the needs of the post and its personnel;
- The association does not duplicate similar services or facilities performed by another U.S. Government Agency;
- The association does not adversely affect our public relations with the citizens and/or the government of the host country; is not a cause of embarrassment to the local business community, the Department of State, or the mission; and is not a cause of resentment among local or American business and professional groups;
- U.S. Government personnel do not use their official titles or positions when acting in the name of the association and they assume no personal liability for the obligations of the association;
- The Board of Trustees is carrying out its responsibilities to oversee the operation of the association in accordance with Department regulations and the association's constitution and bylaws. The Board is representative of the various Agencies at post and members have a voice in the association;
- Membership in the association is granted in accordance with the association's constitution and bylaws, host country statute and policy, and Department of State regulations;
- The financial management is sound and the financial reports are prepared correctly and on time. The independent audit has been

performed for the current fiscal year and the results have been discussed with the Board of Trustees and the manager of the association;

- Copies of the balance sheet, the profit/loss statement, and the external audit are forwarded to the Department (A/OPR) in accordance with schedules in 6 FAM 500. A copy of the association's constitution and bylaws, and any amendments to them, must be provided to A/OPR;
- Adequate safeguards exist to guarantee that theft, malfeasance, or misappropriation of funds does not occur and that local customs and labor laws are not violated; and
- The association's excess reserves should be invested in recreation or welfare activities or donated to the Central Commissary and Recreation Fund.

The principal officer or designated representative thereof should insure that:

- Bond coverage for all association employees is adequate for the type of job performed by each employee;
- Insurance coverage of the association's assets is adequate and includes public liability, fire, wind, water, and theft;
- A prudent procurement system, which is not in conflict with Federal Procurement Policy, is written out for the manager to follow;
- A system for control of inventory has been instituted which is as good as that recommended in Section IV;
- The accounting system of the association is as good as that recommended in Section II;
- All monies received are entered in the receipts register and deposited in the bank daily (if possible) and only the manager or designated alternate has control of the cash register keys;
- All debts of the association are paid by check (except small petty cash purchases and, where necessary, salaries of local personnel) and all checks are countersigned by a designated member of the Board of Trustees; and
- Nonscheduled or unannounced cash counts are being conducted at least once per month, irregularities or variances noted; cash is safely secured and segregated from other monies.

## **Board of Trustees**

The Board of Trustees assumes responsibility for administration and oversight of the employee association. The Board is elected by the membership; one or more additional members may be appointed by the principal officer. Its duties are to:

- Determine goals, objectives, and philosophy of the association and formulate policies to achieve them;
- Select and appoint the manager and provide policy guidelines and sufficient authority to discharge normal responsibilities;
- Administer and oversee the association's operation in accordance with constitution and bylaws;
- Schedule and develop agendas for general and Board meetings in accordance with requirements set forth in the bylaws;
- Establish and administer policy on membership in accordance with the association's constitution and bylaws, host country laws, and Department of State regulations;
- Appoint committees as needed to study proposals or problems facing the association and to provide broad-based input on community needs and desires in areas of procurement and available services;
- Ascertain that the association's financial statements are

prepared and studied properly, that annual outside audits are performed and recommendations of reports are examined and adopted as appropriate, and that semiannual financial statements are submitted to A/OPR in accordance with 6 FAM 500;

- Assure that excess funds (above those needed to maintain the association) are disposed of in accordance with 6 FAM 500;
- Review activities of the manager and the committees to determine that the association is functioning on a sound financial and managerial basis in accordance with its constitution and bylaws, host country laws, and Department of State regulations;
- Insist that managers and employees are placed under contract, with the manager's contract containing clauses requiring compliance with the "Code of Conduct" as applicable to direct-hire mission employees and assumption of responsibility for the association's assets (NOTE: The failure of the Board to designate responsibility and accountability could be in violation of bonding regulations or requirements and result in nonreimbursement for fraud or losses.); and
- Inform principal officer of the association's financial condition and current activities and report any problems or difficulties encountered or any new projects contemplated.

## **Association Manager**

The manager is responsible for the day-to-day operations of the facilities. Duties include a wide range of professional activities but the major concerns are:

- To develop and administer programs which implement the Board of Trustees' policies and directives;
- To insure, through application of sound and efficient managerial practices, that the association's membership is provided with the best goods and services at the lowest price and in the most expeditious fashion;
- To provide the Board with regular status reports including monthly financial reports on operational conditions and trends;
- To oversee the day-to-day operations of the facilities and assume operational responsibility for procurement, customs clearance, personnel, accounting and cash control, inventory and property management, and maintenance of the facilities.

**A Recommended Checklist for Employee Association Managers.** The following is a comprehensive list of areas of vital importance for managers of employee associations. The success or failure of a business, in most cases, is not due to one major problem, but rather to a series of minor ones. This checklist has been compiled to assist managers in identifying those areas that cause the most nagging problems and are often overlooked.

- Nonscheduled or unannounced cash counts, at least once per month, of all petty cash and imprest fund accounts are being conducted and irregularities and variances noted, with periodic updating of the signatures of the fund holders;
- All financial statements and reports are prepared and submitted on time and the information contained therein has been verified, and is correct;
- A budget has been prepared and submitted to the Board of Trustees for approval and all efforts are being made to operate within its limits;
- An independent audit is being performed at least once per year, attempts to comply with the recommendations are being instituted, and a copy is forwarded to the Department, A/OPR;

- Nonexpendable equipment is inventoried at least annually. A schedule for physical inventories has been established and adhered to for all expendable equipment, supplies, and merchandise. In addition, an inventory control system has been installed and is operating in the proper manner, with periodic spot checks being conducted for accuracy and compliance;
- Monthly or more frequent inspections are being conducted of all facilities, including but not limited to fire and safety inspections;
- Periodic meetings and briefings are being held with both post and association personnel to review personnel problems and to discuss association problems and solutions;
- A periodic review of the membership list is conducted with special emphasis on verification of the validity of all members;
- A periodic review of the food service operation to verify the portion control, cleanliness, employee health, and food control; and
- The association is in compliance with its own procurement policy and good standard procurement procedures, especially in the following areas:
  - The manager does not exceed the dollar limit authorization for purchases;
  - Procurement decisions are not made by individuals who are responsible for receiving, using, or paying for merchandise;
  - The receiving function is not performed by persons having access to stock or financial records;
  - Competitive bids are sought for merchandise and services whenever possible to assure the best products at the best price;
  - Contracts with written specifications, delivery and payment instructions, and default clauses are used to the greatest extent possible;
  - Merchandise is counted and examined upon receipt to verify quantity and quality;
  - A system of vouchers is instituted to take advantage of discounts for prompt payment and avoid delinquency and late charges;
  - The community's preferences and needs are considered in all procurement decisions;
  - Sales and delivery records are examined to prevent shortages because of lengthy delivery periods; and
  - American products are purchased for use and resale whenever feasible, in accordance with 6 FAM 500.
- A register is maintained on the sale of luxury items (such as tobacco and liquor products) and examined for unusually large or frequent purchases.

## **Office of Operations, Department of State**

The Department of State recognizes that primary responsibility for operation of employee associations lies with the principal officer and the association's Board of Trustees. However, regulations contained in the 6 FAM 500 series are binding on all associations. The Office of the Deputy Assistant Secretary for Operations administers this program and:

- Provides regulations and guidance to the field for efficient and effective management of employee associations in accordance with U.S. laws and foreign policy objectives;
- Provides analysis of associations' semiannual financial statements and makes recommendations for possible remedial action;
- Acts as a clearinghouse for information about recruitment of managers, stateside supply sources, bonding and insurance com-

- panies, auditing procedures and assistance, and procurement procedures and guidelines; and
- Assumes primary responsibility for the administration of the Central Commissary and Recreation Fund including processing of loan applications, collecting donations and loan payments, and acting as chairperson of Central Commissary and Recreation Fund Board.

## **Oversight and Review**

Primary responsibility for oversight of the activities of the employee association lies with the principal officer. The principal officer, or designated alternate, should be fully aware of the current financial position, operating procedures and policies, and any problems or projects that are foreseen in the near future, and ascertain that the association is in compliance with Department regulations and guidance.

The inspectors examine the operations of the employees' association in the course of their regular inspection procedures. They do not perform audits, however, unless some special circumstance warrants it.

In December 1974 the General Accounting Office (GAO) was given the authority to examine non-appropriated fund activities, including employees' associations. The GAO has already initiated studies into various aspects of the operations of these non-appropriated fund activities, especially on the question of procurement procedures.

The Office of the Deputy Assistant Secretary for Operations is responsible for analyzing the semiannual financial statements of the associations and preparing a report for distribution to posts. The analysis includes an examination of the relation of current assets to current liabilities; liquidity of the association; rate of inventory turnover; net profit as a percentage of sales; gross margin; and operating expenses and salaries as percentage of sales.

## **Operational Management**

### **Personnel: Recruitment and Employment**

The Board of Trustees decides the operating policies and acts for the membership in the overall direction of the association. However, the actual management of the association's facilities is delegated to one or more managers. The combined efforts of the Administrative Officer, the Budget/Fiscal Officer, and the General Services Officer may be sufficient for establishing a facility and running it in the early stages of its operation. For a small, single-phase operation, a Foreign Service dependent with previous experience or business acumen frequently takes on the job as manager on a part-time basis. As the operation grows, consideration must be given to the addition of an accountant to assist the manager. Eventually, should the growth warrant, a full-time professional manager will be required.

The contracting of a full-time manager is a matter for serious consideration by the Board for several reasons: It signals the end of a small, tightly knit family-type operation; it relieves the Board of the day-to-day operational decisions; and for the first time the association is under the management of an individual who is neither a U.S. Government employee nor a dependent. Obviously, the complexity of the selection process varies with the size and complexity of the association's operations.

Before interviewing any candidates, the Board should determine the specific job requirements of the manager's position. The list of qualifications should be prepared in light of the size and diversity of the association's facilities. Each candidate should then be evaluated in accordance with these predetermined job requirements. Certain qualifications are basic to any job description:

**Honesty and Integrity.** The primary consideration is the honesty and integrity of the individual. A complete security clearance of the candidate is an essential element in the selection process.

**Age.** The manager of an employee association should be a mature individual who possesses the ability to associate with all levels of membership, regardless of age or position. The individual should possess the health and vitality to dedicate the hours necessary to meet the position's requirements.

**Education.** The candidate should have the education necessary to communicate easily, both in writing and orally, with the Board of Trustees and members, and should have the expertise to read and analyze financial reports and records. Training in other management areas such as personnel, procurement, transportation, and retailing is highly desirable.

**Experience.** The determining factor in the selection of a manager is the level of the candidate's experience in comparison with the size and complexity of the association. The key element in evaluating a candidate's prior work experience is the determination that he/she has proven ability (or clearly identified potential) in the professional areas most essential to successful fulfillment of the job requirements.

**Personality.** A manager must deal with a wide variety of individuals from many different educational, cultural, and social levels. In addition, the manager must reconcile the many demands upon limited resources and arrange the most equitable distribution of the available supplies and resources among the customers. A manager, therefore, must be personable, even-tempered, and able to deal with difficult and demanding individuals with tact and firmness.

**Initiative.** The attribute which distinguishes an outstanding manager from an adequate one is initiative. It includes the ability to establish a plan for the association and marshal resources to fulfill it. In addition, a manager should be able to foresee and eventually resolve emergencies and difficulties. Enthusiasm and a positive attitude can create a good image for the association and minimize complaining and negativism by the members.

Finally, the Board of Trustees must be confident that they can establish and maintain a satisfactory working relationship with the candidate. Before an individual is hired, the limits of the position's responsibilities and prerogatives should be firmly established. Experience has shown that a manager may assume more authority than the Board intends, if the boundaries are not clearly defined. Therefore, the manager should be under contract, with a written understanding of duties, authority, limitations, code of conduct, and conditions of employment. (A sample contract appears in Section V.) Additional clauses may be added requiring the manager to be bound by the by-laws of the association.

When the operation is too small for a full-time manager, it may be easiest to include a job description in the bylaws and simplify the contract to include a statement that the manager has read, understands, and will abide by the charter and bylaws of the association. (A model of this description appears in Section V.)

Many of the same criteria and standards that are involved in hiring local government employees are applicable to the hiring of association employees. Health and security checks are required and some on-the-job training should be undertaken; wages should be equivalent to those for similar positions in the official mission, food handlers and other positions should have salaries in accordance with wages paid in the local economy, and benefits and conditions of employment (e.g.,

leave, severance, and retirement) must be planned and should be in accordance with local law and customs.

Generally, the manager is responsible for recruiting, hiring, and firing of sales, clerical, and janitorial personnel for the association. The Board of Trustees should provide the manager with guidelines for this process.

## Support Provided by the Post

Posts are permitted to provide certain categories of support to employee associations. The degree of support varies widely among the posts and is a function of the local conditions and the viability and self-reliance of the employee association. Assistance can be provided in the following areas:

**Official Space.** When space is available, it may be provided at no cost to the association for use as a commissary or recreational facility. (In any case, the less visible the operation is, the less likely it is to provoke a negative reaction from local merchants or the local government.)

**Customs Clearance.** Post may arrange for the entrance of duty-free items for use or resale by the association.

**Local Transportation.** When not required for official use, Government vehicles may be used for the transportation of commissary supplies and equipment.

**Government Supplies and Equipment.** Excess Government property may be loaned to the association for its own use.

**Professional Expertise.** Administrative specialists of the mission may provide advice and guidance to the association in matters such as contract preparation, account and audit procedures, development of salary scales and benefit programs for local employees in accordance with local law and customs, and conduct of security investigations for new employees.

## Bonding and Insurance Requirements

The regulations (6 FAM 500) establish minimum requirements for bonding and insurance coverage. All employees whose jobs include the handling of cash or readily converted assets, or whose jobs enable them to bind the association contractually, should be bonded. Insurance should be obtained to protect the association's assets from damage by fire, wind, water, and theft. In addition, the association should carry public liability insurance.

The Office of the Deputy Assistant Secretary for Operations (A/OPR) maintains a file of firms which specialize in providing bonding and insurance coverage overseas.

## Financial Management

Financial reports are designed and prepared in an effort to provide management with insights into the actual functioning of the operation. Section II contains the various required statements and financial reports, tailored especially for employee associations. In addition, several optional forms and reports may be selected by the managers and used to safeguard association property and tighten control of inventories and cash. These statements, reports, and controls can easily be adapted to any association, regardless of facility size or variety. Should the manager require a more detailed explanation and/or guidance, the Budget and Fiscal Officer at post should be contacted. If the volume of business warrants it, the association should consider the employment of a qualified accountant on a full- or part-time basis.

Many basic, easily understood accounting manuals are available to assist managers in implementing good accounting and financial reporting practices. These include *Financial Recordkeeping for Small Stores*, GPO #045-00-00142-3, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; and *Uniform System of Accounts for Clubs*, Club Managers Association of America, Bookmark Department, 7615 Winterberry Place, Washington, D.C. 20034.

### Voucher Control

The Board of Trustees has the authority to expend the funds of the association. The Board must be vigilant in insuring that payments are made only for actual purchases. Therefore, safeguards must be established at several stages in the procurement and payment process:

- It should be clearly established which individuals have the right to commit the finances of the association. Two signatures should be required for each check issued. The Board should designate several of its members, generally its officers, to act as signers of the checks. The cosigner will be the association's manager who will certify the validity of the expenditure and provide the Board member with evidence in support of the claim. The financial arrangement decided upon should provide a good check over the expenditure of the association's funds and should be clearly described in the bylaws;
- Dollar limits should be fixed as maximum expenditures that can be made without full Board concurrence. Managers should be advised in writing of the exact extent of their authority to make orders for merchandise and to guarantee payment for merchandise received; and
- Every effort should be made to establish a system of checks and balances in the procedure for receipt of merchandise and subsequent approval of vouchers for payment. If possible, a single individual should not be allowed to arrange for purchases, act as receiving agent, and approve bills for payment.

### Inventory Control

The financial stability of the association is directly dependent on the control of cash and physical assets. Physical assets are divided into two categories:

**Fixed Assets.** These include real estate, machinery, equipment (non-expendable), and furniture fixtures.

**Saleable Merchandise and Supplies.** These include commissary products, gift shop items, bottled goods, janitorial and cleaning supplies, office supplies, and all other products that are/or can be sold.

Both of these categories should be recorded on stock records and inventoried on a regular schedule. Saleable merchandise and supplies—because of their vulnerability to theft, deterioration, and pilferage—should be carefully controlled and closely managed.

### Audit Procedures

An audit is necessary because it reveals the financial condition of the association, it examines the management effectiveness of the operation, and it clearly indicates if the financial reports fairly reflect the association's financial condition.

Whenever possible, this audit should be done by public accounting firms, U.S. or host country; acceptable alternatives include audits by qualified accountants of other U.S. Government Agencies or, if the post

is very small, audits by a team of at least two individuals who have no authority over the association. Annual audits are required by 6 FAM 500; submit a copy to A/OPR.

Audits range from a shallow and brief (although probably quite inexpensive) exercise that has little value for the association to an in-depth, careful, and more costly survey that can be of real value to management. The officers of the association would be wise to discuss the size and complexity of the association with the accounting firm before the audit. In addition to verifying the financial status of the organization, the audit should include a review of internal procedures and suggestions and recommendations to improve the association's operation. If the requirements are made clear before the fee is discussed, the auditors will have a better idea of how long the audit will take and will be better able to estimate their cost.

### Markup Policy

The association's Trustees must decide on specific objectives for the association from the initial planning stages. These goals may be achieved using the profit from the association's businesses. Therefore, the markup, or the difference between the cost of the merchandise and the selling price, will determine the association's success or failure. This does not mean that there should be an arbitrary or excessive markup. The method of determining the markup is complex and requires study; to say, "this item costs 50¢ therefore we will sell it for 55¢," is not enough. Consider the following before deciding on the markup:

- Cost, insurance, and freight (CIF) for offshore purchases (this covers costs to dockside only);
- Costs from dockside to customs warehouse, customs charges, and transportation from customs to association storeroom;
- Association insurance costs;
- Pilferage, breakage, and damage costs which are not recoverable from insurance or carriers;
- Salaries (salesclerks, cashiers, stockers, janitors);
- Supplies (janitorial, stationery, cash register tapes, uniforms, paper bags, etc.);
- Employee benefits;
- Depreciation on equipment;
- Bad debts;
- Return of employee deposits; and
- Goals, aims, and objectives of the association.

The Board of Trustees should be mindful of members' morale. The lack of competition should not result in overpricing, nor should membership pressures cause underpricing. New commissaries require more working capital than established ones. Higher markups are usually reserved for luxury items, lower markups should be applied to necessities. The percentage markup must be decided by the Board of Trustees after due consideration of all costs. Each shipment of goods requires careful study of the invoices and bills of lading to determine the necessity of increasing prices due to rising costs. (The manager can display, within the store, new invoices or bills of lading which have resulted in price increases. The members appreciate this information and it is a valuable method of taking the pressure off the manager.)

While some surplus funds are needed for contingencies, associations should avoid building up excessive cash reserves. An association's reserves should not exceed the planned expenditures for 1 calendar year. Associations with funds in excess of needs should consider fund transfers to the Central Commissary and Recreation Fund.

### Credit Policy

Sales should be on a "cash-and-carry" basis only. The extension of credit can be costly and can lead to financial difficulty.

The Board of Trustees may authorize the payment for goods and services by personal check. The check should be made payable to the association for the exact amount of the goods or services. The Board of Trustees may also authorize check-cashing privileges for members. The Board should decide the limit and frequency of these privileges and the rules governing them should be prominently displayed by the cashier's cage.

## Investment of Assets

Some associations are able to accrue funds in excess of their normal operating requirements. These monies are set aside to serve as a source of capital for equipment replacement or expansion at some future date. These funds are generally held in interest-bearing accounts or instruments such as time deposits, U.S. Government bonds or Treasury bills, or commercial bank certificates of deposit. The Board of Trustees is responsible for the investment and safeguarding of these assets and must exercise prudent business practice in selecting a financial institution or plan for their investment program.

The Board of Trustees should thoroughly investigate a number of financial institutions prior to selecting one. They should consult with the Embassy's Economic and Commercial Section and the Budget and Fiscal Officer to ascertain prevailing interest rates and determine the business standing of various firms.

The Board should investigate each institution in light of the association's banking requirements. Institutions should be compared on the basis of services offered and costs related to those services. Associations are strongly encouraged to use U.S. financial institutions. Funds should only be invested for fixed time periods and at fixed and guaranteed rates of interest.

The Board should periodically review the interest rates available in financial markets to guarantee that the association is receiving the best interest rate with the required degree of security. Associations should avoid speculative investments such as stock market transactions and real estate investments (aside from actual physical plant). In addition, associations should not engage in currency transactions for profit.

If an association builds reserves which generally exceed any reasonable long-range capital requirements, the Board of Trustees should seriously consider a special donation to the Central Commissary and Recreation Fund. Through the Central Fund, monies can be rechanneled into the Foreign Service community and benefit some of the same individuals who contributed to the association's success. Alternatively, the association may consider lowering its existing profit margin.

## Central Commissary and Recreation Fund

In March 1966, in accordance with Section 921(b) of the Foreign Service Act of 1946, a Central Commissary and Recreation Fund was established by the Department of State to assist in the establishment, maintenance, and operation, by officers and employees of the Foreign

Service, of non-Government-operated commissary and mess services and recreation facilities at posts abroad. The Fund was capitalized by voluntary gifts from employee organizations overseas. The Fund is administered by a Board which is chaired by the Deputy Assistant Secretary for Operations and composed of eight members—the executive directors of the five regional bureaus and representatives from IDCA, Department of Defense (DOD), and USICA.

Under the terms of the Fund's establishment all associations are expected to contribute one-half of 1% of their gross sales to the Fund for its capitalization and improvement. Associations with large reserves of funds are strongly encouraged to make additional special contributions to the Fund. Such contributions will insure that those funds would be available to the entire highly mobile Foreign Service community.

The Central Commissary and Recreation Fund provides interest-free loans to employee associations which are organized and operated in accordance with the provisions of 6 FAM 500.

The Board has adopted a loan format (Section VII) which should be used for all loan requests. Copies of the association's most recent balance sheet, income statement, audit report, constitution, and bylaws must accompany the application to insure prompt consideration of the request by the Fund's Board. Six affirmative votes are required for approval of a loan request. Loans are normally granted for periods of 1-3 years with provisions for extensions if the situation warrants. Repayment is made in regular installments, monthly, quarterly, or semiannually.

## Malfeasance or Theft

Malfeasance is defined as any act or acts of misconduct or wrongdoing which would cause embarrassment, bring discredit, or result in financial loss to the mission or the association. Both malfeasance and theft can be causes for termination of employment and eventual judicial action. No organization can protect itself completely from the danger of fraudulent activity; however, certain safeguards can minimize the possibility of occurrence.

Before any employee is hired, a preemployment suitability investigation is required. This investigation should examine the prospective employee's personal and professional background. All items in the resume should be verified and letters of recommendation confirmed.

Safeguards, padlocks, and security measures were invented to keep honest people honest. Individuals intent on stealing will always find a means to accomplish their illegal activities. Employees are confronted with a tremendous temptation to steal because of their constant exposure to cash and inventories. A well-run association follows certain routine security precautions to protect its assets and to assure its employees that malfeasance will be discovered and punished.

The areas of greatest vulnerability and suggested procedures for avoiding problems are listed below.

Illegal Activity	Description	Methods of Detection and Prevention
Kickbacks, benefits, or favors from vendors.	Purchaser receives money or other consideration in return for ordering merchandise from a particular vendor.	1. Different individuals are assigned responsibility for each phase of procurement process, i.e., selection of vendor, receipt of merchandise, and payment of invoices. 2. Board of Trustees periodically reviews entire procurement process.
Personal use of association property.	Removal of items from association's facilities for personal use or resale which may involve one or more employees and may range from petty to grand larceny.	1. Close surveillance of employees. 2. Orders from club facilities to warehouse are examined for evidence of unusual volume in relation to sales.
Fraudulent payroll entries.	Timekeeper or paymaster/paymistress forges payroll records for nonexistent employees.	1. Supervisors identify and verify employees and hours of work. 2. Supervisors justify labor force levels in relation to workload and productivity.
Falsification of restaurant guest check.	Employees provide customers additional food or liquor without charge.	A system of prenumbered guest checks is established; no food leaves kitchen without a written notation on a guest check. Kitchen checks are subsequently reconciled with cashier's copies.
Illegal cash transactions involving local currency.	Individual sells U.S. currency or personal checks on black market to gain advantage of exchange ratio between U.S. and local currency.	1. Budget and Fiscal Officer's accommodation exchange records are examined for names of association's employees or officers who never convert dollars to local currency. Such individuals should be watched closely and reminded of regulations forbidding black market currency transactions. 2. Unannounced cash counts are conducted the moment employee responsible for cash receipts arrives at work to verify that cash is not removed from premises at night. 3. Cash reserve is kept at absolute minimum.
Illegal purchase and resale of duty-free imported goods.	Individual purchases duty-free items and then resells them in local economy, thereby circumventing local customs regulations. Items most susceptible to such activity are liquors, tobacco products, specialty items, or food that is not available locally.	1. A register of sales of luxury items is maintained indicating purchaser, quantity, and date. Records are examined monthly for evidence of abnormal purchases. 2. Importation request and stock records are reviewed and reconciled to verify that items are not diverted before they reach shelves.
Fraudulent inventory records.	Individual records fraudulent transfers of merchandise on stock cards and removes items for personal use or resale.	An inventory control system is established with stock records, receiving and transfer documents, and frequent unannounced check of inventory followed by reconciliation with records.
Falsification of sales receipts (skimming).	Individual fails to include a sale in daily receipts or includes only a portion of proceeds of sale.	1. Perpetual inventory of items on shelves in retail facilities is maintained and inventory records and sales records are reconciled. 2. A system of prenumbered guest checks is established for club facilities with copies of each check to be retained by kitchen, cashier, and accounting department. These copies are reconciled daily. 3. Cash registers with tape for recording sales are installed.

## SECTION II

# Guidelines for Establishing an Accounting and Financial Reporting System

## General Considerations

Accounting records are the source of data necessary for preparation of financial reports. In addition, the accounts should be capable of providing for detailed analysis of problems disclosed by the reports. All of this data must be both timely and accurate. The system outlined below is designed to meet the following objectives:

- To provide a uniform system of accounts which is capable of meeting the management needs of large, small, and expanding associations, having either single or multiple operations;
- A manual system that is readily adaptable to mechanical or electronic methods so as to facilitate future conversion to more economical methods;
- To provide a simplified "cost system" adequate for the needs of the association and its management; and
- To utilize standard printed forms to the extent feasible.

## Books of Account

### Outline of the System

The system is composed of a General Ledger and three registers for the recording of daily transactions: Cash Receipts Register, Voucher Register, and Sales Register. Each register utilizes columnar arrangements to classify routine transactions and minimize postings to the General Ledger. At the close of each accounting period (usually monthly) the registers are totaled and the totals entered in the related General Ledger accounts. Financial reports are prepared directly from the General Ledger accounts. The Inventory Control System shown in Section IV outlines subsidiary records controlled by related accounts in the General Ledger.

### Cash Receipts Register

All monies received are entered daily in this register. If the association has both dollar and local currency receipts, a separate section of the register is used for each type of currency. Transactions will usually be entered by daily totals, but may be entered individually. Each day's receipts should be deposited in full.

**Figure 1** illustrates a Cash Receipts Register for an association engaged in all four major categories of operations. An association having limited operations can readily adapt the format to its needs by eliminating the columns not required.

A very large percentage of receipt transactions are either cash sales or payments on account for merchandise and services previously sold or rendered. A column is provided for receipts from cash sales and a column for receipts in payment of accounts receivable items, under each of the four major categories of operations. General Ledger postings are thus

reduced to one posting for each column per accounting period, although daily postings may be made if desired. The less numerous receipt transactions are provided for by the next two columns (account number in the first and amount in the second). These entries require summarization by account number at the end of each accounting period for posting to the General Ledger, or the posting of each transaction. The first 10 columns are credit entries to related General Ledger accounts. Column 11 is a total of columns 1 through 10, and is entered as a debit to the Treasurer's cash account. Columns 12 and 13 provide for two bank accounts in which deposits are entered daily. These columns are debits to the bank and credits to the Treasurer's cash account. Postings of deposits transactions to the General Ledger may be made daily or in total for the accounting period.

Local currency sections of this register are maintained in the same manner as the dollar section, except that at the close of each accounting period totals are converted to dollars for entry in related General Ledger accounts. For those countries having fluctuating currencies, the "average-rate" method is recommended; i.e., the local currency accounts are totaled and, at the end of the accounting period, converted into a dollar equivalent, using the *average* of the various exchange rates in effect during the accounting period. Gains are a miscellaneous receipt under control account 690 and losses are undistributed expense under control account 910. An acceptable alternative is to convert each voucher to a dollar equivalent at the exchange rate in effect on the day the local currency check was drawn to pay the voucher.

### Voucher Register (Disbursements and Journal Vouchers)

All expenditures and journal vouchers are entered daily to this register. A separate section of the register is used for each type of currency. Vouchers are entered individually. **Figure 2a** illustrates a register for an association having all four major categories of operations, and **Figure 2b** illustrates a register for an association having but limited operations.

Both formats permit daily totaling of "bank" columns for entry in the General Ledger. **Figure 2b** provides individual columns for all routine expenses which permit totaling and direct entry in the General Ledger at the close of each accounting period. This method of distributing expenses is not feasible when an association has multiple types of operations as illustrated by **Figure 2a**. Posting to the General Ledger from the format **2a** is accomplished by totaling the columns at the close of each accounting period, then summarizing by totaling amounts to be posted to each account, and entering the summary totals to the General Ledger. The summary should be entered on the register.

### Sales Register

The Sales Register provides valuable management data in a tabular format which facilitates analysis of transactions and the posting of data to related General Ledger accounts without the preparation of numerous journal vouchers. However, its use is not essential for associations having but limited operations, as the totals of cash sales are reflected in the

**CASH RECEIPTS REGISTER - U.S. \$s (Or L.C.)**

**Figure 1**

**Figure 2a**

Figure 2a

**FIGURE 2b**  
**VOUCHER REGISTER & DISTRIBUTION OF EXPENSES**

**Figure 2b**

**Figure 3**

### Illustration of Committee: District Council

**Figure 3**

Totals  
Analysis:  
Net Cash Sales  
Net Charge Sales

Note: Columnar headings for other operations are: Mess Services — use \$20 series; Special Services — use 630 series; and Recreation Activities — use 640 series.

Cash Receipts Register and Credit Sales can be handled by journal vouchers through the Voucher Register. Associations having varied and large volumes of transactions will require such a means to determine volume and profitability of its various operations.

Figure 3 illustrates the columnar headings required for analysis of a commissary operation. For mess service operations use account number series 620 for columnar headings, for special services use series 630, and for recreation activities use series 640. Sales, with possible rare exceptions, will be in either dollars or local currency but not both; therefore, separate currency sections of this register should not be required.

Daily entries are made in totals, taken from and supported by daily sales reports which summarize cash register tapes and sales tickets. At the close of the accounting period separate tapes are run of cash and credit sales to provide the analysis illustrated. Entry to related General Ledger accounts are made directly from the summary, eliminating the need for preparing numerous journal vouchers.

## Chart of Accounts and Numbering System

### System Objectives

- A uniform system of accounts which is capable of meeting management needs of large, small, and expanding associations having either single or multiple types of operations;
- A system applicable to manual methods but readily adaptable to posting machine, punch card, or electronic methods so as to facilitate future conversion to more economical methods or the central provision of comparative data for the benefit of the associations and the Department; and
- A simplified "cost system" adequate for the needs of the association and its management.

### Numbering System

The basic Account Numbers (or Symbols) are composed of three digits. The first denotes the account classification, the second denotes the subclassification, and the third digit denotes the specific account. Those associations having multiple types of activities and a need for additional breakdowns may add a one-digit suffix to those classes of accounts as are indicated by an asterisk (\*), in the Chart of Accounts.

This decimal principle automatically groups related data in subordinate accounts with the control account. Thus all symbols ending in a zero are control (or summary) accounts. Small operations may require only a few of the specific accounts listed below.

### Basic Account Classification

Series 100 - Current Assets  
200 - Fixed Assets  
300 - Investments  
400 - Current Liabilities  
500 - Other Liabilities and Capital Accounts  
600 - Income Accounts  
700 - Operating Expense—Personnel  
800 - Operating Expense—Miscellaneous  
900 - Undistributed Expenditures

### Activity and Subactivity Classification

These symbols provide for uniform grouping and control of association activities (or operations), and are designed for either independent use or in conjunction with Accounting Symbols. The first digit indicates the activity and the second digit the subactivity. It should be noted that the activity digit has been incorporated as the third digit of the Accounting Symbol for many accounts. The subactivity digit may be used as the

fourth digit of the Accounting Symbol where indicated in the Chart of Accounts.

10 - Commissary
11 - Tobacco Products Department
12 - Beverage Department
13 - Canned and Packaged Food Department
14 - Frozen Food Department
15 - Frozen Meat Department
16 - Household Supplies and Sundries Department
17 - Drugs and Toiletries Department
18 - Gift Shop
19 - Miscellaneous Commissary Operations
20 - Mess Services
21 - Embassy Restaurant/Cafeteria
22 - Soda Fountain
23 - Snackbar No. 1
24 - Snackbar No. 2
25 - )
26 - )
27 - )
28 - Catering Service
29 - Miscellaneous Food Services
30 - Special Services
31 - Gasoline and Oil Services
32 - Laundry and Drycleaning Service
33 - Appliance Repair
34 - Barbershop
35 - Beauty Shop
36 - )
37 - )
38 - )
39 - Miscellaneous Special Services
40 - Recreational Activities*
*Note: Does not include activities requiring owned or leased property or other major facilities. See 60 Series.
41 - Swimming Pool/Club
42 - Tennis Courts/Club
43 - Moving Pictures
44 - Library
45 - Teen Club
46 - Boy Scouts
47 - Girl Scouts
48 - )
49 - Miscellaneous Recreational Activities
50 - Welfare Activities
51 - Loans to Employees or Members
52 - Grants to Employees or Members
53 - Donations to Local Charities or Institutions
54 - Donations to U.S. Charities or Institutions
55 - )
56 - )
57 - )
58 - )
59 - Miscellaneous Welfare
60 - Series)
70 - Series) } Available for other major operations such as: Social Club, Beach
80 - Series) } House/Club, Rest Cottage, Guesthouse, Boat Club, etc.
90 - Series)

## CHART OF ACCOUNTS

### Account Numbers or Symbols

100 - CURRENT ASSETS  
110 - Cash on Hand in Banks  
111 - Cash on Hand (Treasurer)  
112 - Imprest Funds (Cashiers)  
113 - Dollar Account (New York City Bank)  
114 - Dollar Account (Local Bank)  
115 - Local Currency Account (Local Bank)  
120 - Accounts Receivable\*

\*Note: If "charge accounts" are used, add Membership Card Number as a suffix to the Account Number to identify individual accounts. If control by Agency or post is desired, add fourth digit to account number.

121 - Commissary  
122 - Mess Service  
123 - Special Services  
124 - Recreation Activities  
130 - Loans Receivable\*

\*Note: Subaccounts are not essential but may be used for breakdown by Agency or post. Use Membership Card Number as a suffix to identify individual accounts.

131 -)  
132 -)  
133 -)  
134 -)

140 - Inventories\*

\*Note: If additional breakdowns are required add fourth digit. See schedule of subactivity numbers.

141 - Commissary  
142 - Mess Service  
143 - Special Services  
144 - Recreation Activities  
150 - Prepaid Expense\*

\*Note: If additional breakdowns are required add fourth digit for activity. See schedule of activity numbers.

151 - Rent  
152 - Insurance  
153 - Salary or Wages  
154 -)  
160 - Deposits and Advance Payments

161 - Commissary  
162 - Mess Service  
163 - Special Services  
164 - Recreation Activities  
165 - Utility

200 - FIXED ASSETS

210 - Land\*

\*Note: Use subaccounts for each property.

211 -)  
212 -)

220 - Buildings\*

\*Note: Use subaccounts for each property.

221 -)  
222 -)

230 - Machinery and Equipment

231 - Commissary

232 - Mess Service

233 - Special Services

234 - Recreation Activities

240 - Furniture and Fixtures\*

\*Note: If added breakdown is desired for location or officer responsible, use fourth digit for these accounts.

241 - Commissary

242 - Mess Services

243 - Special Services

244 - Recreation Activities

250 - Series)

260 - Series)

270 - Series)

280 - Series)

290 - Series)

300 - INVESTMENTS\*

\*Note: A few associations have outside investments. If required, use the following format.

310 - Common Stock

311 - (Company)

320 - Preferred Stocks

321 - (Company)

400 - CURRENT LIABILITIES

410 - Notes Payable\*

\*Note: Subaccounts by "Lender."

411 -)

412 -)

420 - Accounts Payable

421 - Commissary

422 - Mess Services

423 - Special Services

424 - Recreation Facilities

430 - Accrued Liabilities\*

\*Note: If additional breakdown by activity is required, use fourth digit.

431 - Accrued Salaries and Wages, Unpaid

432 - Accrued Taxes, Unpaid

433 - Unremitted Payroll Deductions, Local Employees

434 - Unremitted Payroll Deductions, American Employees

435 - Accrued Employer Contribution—FICA

436 - Accrued Employer Contribution—Other

437 -)

438 -)

439 -)

440 - Reserves\*

\*Note: If additional breakdown by activity is required, use fourth digit.

441 - Depreciation—Buildings

442 - Depreciation—Machinery & Equipment

443 - Depreciation—Furniture & Fixtures

444 - Inventory Losses

445 - Losses—Other

446 - Retirement Contributions

447 - Bad Debts (Allowances)

448 -)

449 -)

450 - Unredeemed Coupons\*

\*Note: Subaccounts are seldom required but may be used for types of coupons or accountability purposes.

451 -)

452 -)

453 -)

460 - Series)

470 - Series)

480 - Series)

490 - Series)

Unassigned. Available for other Current Liabilities.

500 - OTHER LIABILITIES AND CAPITAL ACCOUNTS

510 - Deposits of Members\*

\*Note: Remaining subaccounts in 510 Series may be used to control each type of Special Membership.

511 - Full Membership Deposits

512 - Associate Membership Deposits

513 - Temporary Membership Deposits

514 - Special Membership Deposits

515 -)

516 -)

517 -)

518 -)

519 -)

520 - Other Deferred Liabilities\*

\*Note: Seldom required, if used, subaccounts are by types of liabilities.

521 -)

522 -)

523 -)

550 - Capital Accounts

551 - Undistributed Surplus (Profit and Loss) - Commissary

552 - Undistributed Surplus (Profit and Loss) - Mess Services

553 - Undistributed Surplus (Profit and Loss) - Special Services

554 - Undistributed Surplus (Profit and Loss) - Recreation Activities\*

555 -)

556 -) \*Note: Unused subaccounts may be used to control surpluses generated

557 -) by types of recreation activities.

558 -)

559 - Net Worth

600 - INCOME ACCOUNTS

610 - Commissary Sales

611 - Tobacco Products

612 - Beverages

613 - Canned & Packaged Foods

614 - Frozen Foods

615 - Frozen Meats

616 - Household Supplies & Sundries

617 - Drugs & Toiletries

618 - Gift Shop

619 - Sales or Miscellaneous Receipts by Commissary

620 - Mess Service Sales

621 - Embassy Restaurant/Cafeteria

622 - Soda Fountain

623 - Snackbar No. 1	721 - )
624 - )	722 - )
625 - ) Unassigned. May be used for control of sales generated by other Mess	723 - )
626 - ) Services.	730 - <u>Employer Contributions*</u>
627 - )	*Note: Use same subaccounts as 710.
628 - )	731 - )
629 - Sales or Miscellaneous Receipts by Mess Services	732 - )
630 - <u>Special Services Sales</u>	740 - <u>Medical Services*</u>
631 - Gasoline & Oil	*Note: Use same subaccounts as 710.
632 - Laundry & Drycleaning Services	741 - )
633 - Appliance Repair Services	742 - )
634 - Barbershop	750 - <u>Annual, Sick, and Home Leave*</u>
635 - Beauty Shop	*Note: Use same subaccounts as 710.
636 - ) Unassigned. May be used for control of sales generated by other	751 - )
637 - ) Special Services.	752 - )
638 - )	760 - <u>Allowances*</u>
639 - Sales or Miscellaneous Receipts by Special Services	*Note: Use same subaccounts as 710.
640 - <u>Recreation Activities Sales*</u>	761 - )
*Note: Does not include activities requiring owned or leased property or other major facilities.	762 - )
641 - Swimming Pool/Club	770 - <u>Gratis Meals*</u>
642 - Tennis Court/Club	*Note: Use same subaccounts as 710.
643 - Moving Picture Shows	771 - )
644 - Library	772 - )
645 - Teen Club	780 - <u>Fidelity Bonds*</u>
646 - Boy Scouts	*Note: Use same subaccounts as 710.
647 - Girl Scouts	781 - )
648 - )	782 - )
649 - Sales or Miscellaneous Receipts by Recreation Activities	790 - <u>Other Personnel Costs*</u>
650 - Series) } Unassigned. Available for sales from other major operations such as;	*Note: Use same subaccounts as 710.
660 - Series) } Social Club, Beach House or Club, Rest Cottage, Guesthouse, etc.	791 - )
670 - Membership Dues(Not Deposits)	792 - )
671 - <u>Full Memberships</u>	
672 - Associate Memberships	800 - <b>OPERATING EXPENSE—MISCELLANEOUS</b>
673 - Special Memberships	810 - <u>Transportation and Related Expense*</u>
674 - Special Memberships	*Note: Add fourth digit if added breakdowns are required. Unassigned subaccounts may be used for other major operations or to further break down recreation activities.
680 - <u>Non-Operating Income</u>	811 - Commissary Transportation
681 - Interest on Loans	812 - Mess Service Transportation
682 - Interest on Deposits	813 - Special Services Transportation
683 - Discounts and Rebates	814 - Recreation Activities Transportation
684 - Contributions to Association	815 - )
685 - )	816 - )
686 - )	817 - )
687 - ) Unassigned. Use to control and classify other non-operating income.	818 - )
688 - )	819 - Other Transportation Expense
689 - Miscellaneous	820 - Supplies and Expendable Equipment*
690 - Non-Operating Receipts*	*Note: Use same type subaccounts as 810.
*Note: These accounts are optional. Use depends on volume and need for separate classification.	821 - )
691 - Repayment of Loans	822 - )
692 - Sale of Fixed Assets	830 - <u>Communication Expense*</u>
693 - Sale of Investments	*Note: Use same subaccounts as 810.
694 - )	831 - )
695 - )	832 - )
696 - ) Unassigned. Use to classify and control other non-operating receipts.	840 - <u>Utilities and Services*</u>
697 - )	*Note: Use same subaccounts as 810.
698 - )	841 - )
699 - Miscellaneous Non-Operating Receipts	842 - )
700 - <b>OPERATING EXPENSE—PERSONNEL</b>	850 - <u>Repairs and Maintenance*</u>
710 - <u>Salaries and Wages—Local Employees*</u>	*Note: Use same subaccounts as 810.
*Note: Add fourth digit if added breakdowns are required. Unassigned subaccounts may be used for major operations or other recreation activities.	851 - )
711 - Commissary Salaries	852 - )
712 - Mess Services Salaries	860 - <u>Insurance*</u>
713 - Recreation Activity Salaries	*Note: Use same subaccounts as 810.
714 - )	861 - )
715 - )	862 - )
716 - )	870 - <u>Loss and Spoilage*</u>
717 - )	*Note: Use same subaccounts as 810.
718 - )	871 - )
719 - Other Salaries	872 - )
720 - <u>Salaries—American Employees*</u>	880 - <u>Depreciation*</u>
*Note: Use same type breakdown for subaccounts as used for Local Employees in 710.	*Note: Use same subaccounts as 440.
	881 - )
	882 - )

**890 - Other Miscellaneous Operating Expenses\***

\*Note: Use same subaccounts as 810.

891 -

892 -

**900 - UNDISTRIBUTED EXPENDITURES**

**910 - Bank and Exchange Charges\***

\*Note: Use subaccounts for each type of charge.

911 -)

912 -)

**920 - Professional Fees**

921 - Audit Fees

922 - Legal Fees

**930 - Corporate Fees and Taxes\***

\*Note: Use subaccounts for each type of fee or tax.

931 - Incorporation Costs

932 - Annual Corporation Fee or Tax

933 -)

**940 - Welfare Expenditures**

941 - Grants to Employees or Members

942 - Donations to Local Charities or Institutions

943 - Donations to U.S. Charities or Institutions

944 - Donations to Central Commissary and Recreation Fund

945 -)

946 -)

950 - Series) |

960 - Series) |

970 - Series) |

Unassigned. May be used for other costs which are not readily distributed directly to specific operations.

980 - Series) |

990 - Series) |

**Check Register**

All checks must be accounted for by register. The register can be anything from the booklet which accompanies most checks to a more elaborate form. The register is used as support documentation in the preparation of financial reports, statements, and audits. It should contain the date, the check number, the payee, and the amount. The monthly bank statement, canceled checks, and Check Register should be reconciled within 5 days of receipt of bank statements.

**Payment Request**

All payments, other than those from petty cash, should be made by check. The cashing of a check by a vendor signifies the receipt of cash and the canceled check forms part of a permanent record of payment. The checkbook should be under the care of only one person: the accountant, the cashier, or the general manager, depending on the size of the association. Generally, after the check has been prepared, it will be passed along to the general manager for review and approval. The check should be accompanied by a payment request with the vendor's invoice and the receiving and inspection report attached (this assures the general manager and the cosigning member of the Board of Trustees that the request is valid and payment is due). The payment request becomes a permanent record and is another method of controlling the issuance of checks; it serves to support the Check Register.

The Request for Payment form contains the necessary data to satisfy the administrators, the inspectors, and auditors. All checks issued from an association should be countersigned by a member of the Board of Trustees. Since the Board usually has too many members to be included on the bank's signature cards, the chairperson of the Board of Trustees will designate at least two members to exercise cosigning authority for association checks. One of these members will sign this form and the accompanying check.

## Accounting Forms

The length and complexity of forms needed will vary with the size and purpose of the organization. Each association should adapt the following forms to its own use.

## REQUEST FOR PAYMENT

TO: The General Manager

REQUEST FOR PAYMENT IN THE AMOUNT OF: \$ (Figures)  
(Dollar amount spelled out)

FOR: (Explain in detail reason for payment): The association ordered a recording cash register from the Smith International Sales Corp. The register has been received and this payment is to satisfy the invoice listed below.

PAYEE NAME AND ADDRESS: Smith International Sales Corp.  
10 Downing St.  
San Francisco, CA 94103

SUPPORTING DATA: (Must be attached to this request)

INVOICE NUMBER: SISCO-9876544321

RECEIVING AND INSPECTION REPORT NUMBER: AEEAR 83/231

CHECK NUMBER: 300 DATE: 26 January 1984

MEANS OF DELIVERY OF PAYMENT: International Air Mail

DISBURSEMENT VOUCHER NUMBER: 202

ACCOUNTING DEPARTMENT:

DEBIT ACCOUNT:	AMOUNT	DATE
<u>Commissary</u>	<u>\$ 957.00</u>	<u>26 January 1984</u>

REQUESTED BY: (Name and Title)

James Brown, Chief Accountant

APPROVED BY: (Name and Title)

Thomas Jones, General Manager

APPROVED BY: (Name and Title)

Harvey Johnson, Board of Trustees

## Daily Cash Report

The Daily Cash Report is simply a recording of the receipts of all the facilities of the association that generate income. It lists the current status of cash (U.S. and local), the petty cash, and/or imprest fund accounts.

Where practicable, the report should be prepared each morning. The report serves four distinct functions:

- It is the daily account to the manager of the individual and total income from all operations;
- It informs the manager of the daily bank deposit amount;
- It is the basis for the preparation of the individual and consolidated monthly income statements and is used for support documentation during reviews and audits; and
- It serves as an instant report to management of the association's total cash situation on any given date.

### Explanation and Use

**Date:** This is the date of the sales, not the date the form was prepared.

**Journal Voucher No.:** This is the number given the entry into the Journal Voucher or General Ledger.

**Facilities Generating Income:** These are the individual operations of the association that actually generate income.

**Sales:** This is the total gross income as registered by the cash register or the cash receipts.

**Cash Over/Short:** It is important that any overage or shortage be listed because the total recorded by the cash register or the sales receipts may differ from the actual cash turned in. Such listing also provides a bene-

ficial side effect: It indicates to management whether or not the person responsible for the cash is suitable as a cashier.

**Total Cash Income:** This is the actual amount of cash received after adding the overage or deducting the shortage.

**Miscellaneous Income:** This would be any other income not generated by a facility.

**Accounts Receivable:** This would be the income from any outstanding accounts paid on that date.

**Total U.S. Cash Income:** Add together all the Total Cash Income figures and enter here. This is the amount of cash that should be available for the bank deposit.

**Status of Cash:** Surplus cash is generally deposited in checking or savings accounts. Enter on the appropriate line the amount, bank name, and account number.

### Cash on Hand

- **General Manager.** This would be the money that accrues on weekends and holidays; it is transferred from the Total Cash Income above. It is transferred down here to free the above line for the cash from the day being reported and as a reminder to the manager that it should go to the bank.
- **Imprest Funds.** Enter here the total amount for each fund holder.

**Local Currency:** If the association has a facility generating local currency, enter on the applicable lines in the same manner as U.S. currency.

**Comments:** Enter here the daily exchange rate and any other information relating to a variance in the standard entries.

## DAILY CASH REPORT

Date: \_\_\_\_\_  
Journal Voucher No. \_\_\_\_\_

### U.S. DOLLARS

#### FACILITIES GENERATING INCOME

##### Restaurant:

Sales \$ \_\_\_\_\_  
Cash Over/Short \$ \_\_\_\_\_  
Total Cash Income \$ \_\_\_\_\_

##### Commissary:

Sales \$ \_\_\_\_\_  
Cash Over/Short \$ \_\_\_\_\_  
Total Cash Income \$ \_\_\_\_\_

##### Bottled Goods:

Sales \$ \_\_\_\_\_  
Cash Over/Short \$ \_\_\_\_\_  
Total Cash Income \$ \_\_\_\_\_

##### Other:

Sales \$ \_\_\_\_\_  
Cash Over/Short \$ \_\_\_\_\_  
Total Cash Income \$ \_\_\_\_\_

##### Miscellaneous Income:

Sales \$ \_\_\_\_\_  
Cash Over/Short \$ \_\_\_\_\_  
Total Cash Income \$ \_\_\_\_\_

##### Account Receivable:

\$ \_\_\_\_\_  
\$ \_\_\_\_\_

**TOTAL U.S. CASH INCOME: \$ \_\_\_\_\_**

#### STATUS OF CASH

##### Bank Accounts:

Checking Account # \$ \_\_\_\_\_  
Savings Account # \$ \_\_\_\_\_  
Time Deposit # \$ \_\_\_\_\_

##### Cash on Hand:

General Manager \$ \_\_\_\_\_

##### Imprest Funds:

Restaurant Manager \$ \_\_\_\_\_  
Cashier \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

**TOTAL U.S. CASH REPORT: \$ \_\_\_\_\_**

### LOCAL CURRENCY

#### FACILITIES GENERATING INCOME

##### Restaurant:

Sales \$ \_\_\_\_\_  
Cash Over/Short \$ \_\_\_\_\_  
Total Cash Income \$ \_\_\_\_\_

##### Other:

Sales \$ \_\_\_\_\_  
Cash Over/Short \$ \_\_\_\_\_  
Total Cash Income \$ \_\_\_\_\_

#### TOTAL LOCAL CURRENCY

**CASH INCOME \$ \_\_\_\_\_**

#### STATUS OF CASH

##### Bank Accounts:

Checking Account # \$ \_\_\_\_\_  
Savings Account # \$ \_\_\_\_\_  
General Manager \$ \_\_\_\_\_  
Cashier \$ \_\_\_\_\_

#### TOTAL LOCAL CURRENCY

**CASH REPORT \$ \_\_\_\_\_**

**TOTAL  
DAILY CASH INCOME  
ALL SOURCES \$ \_\_\_\_\_**

Exchange rate: \$ \_\_\_\_\_ = \_\_\_\_\_

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **Facility Profit and Loss Statement**

The Facility Profit and Loss Statement is a simple declaration of the profit or loss of one specific operation within the association for one reporting period, usually 1 month.

The purpose of this form is to present the facts and figures on the financial condition of each of the facilities on a monthly basis, thereby enabling management to identify problem operations in time to make the necessary adjustment, before the next reporting period. The data for the preparation of this form is derived from the Daily Cash Report and accounting records.

### **Explanation and Use**

*Operating Expenses.* A percentage of the manager's time, wages, benefits, and tax deductions should be calculated and charged to each facility.

*Central Warehouse Costs.* The central warehouse or storeroom is where an association's goods are received, stored, accounted for, and issued. The central warehouse has operating expenses or overhead which must be shared by all the facilities utilizing the services of the warehouse. These charges could be based on the gross income of each facility, with the operation with the largest gross income paying the largest percentage of the costs. A separate schedule explaining the distribution of these costs should accompany the monthly financial statement.

*Cost of Goods Sold.* The cost of goods sold is determined by taking the inventory value at the beginning of the reporting period, adding all additions to the inventory during the reporting period, and subtracting from the total the value of the inventory at the end of the reporting period. (If only one facility is run by the association, use the more detailed computation found under the Consolidated Facility Profit and Loss Statement.)

Gross profit on sales is the excess of the net sales over the cost of the goods sold. It is the total amount of profit before the deduction of any operating expenses.

Operating expenses are costs of services consumed and the expired

portions of the costs of supplies, insurance, equipment, and other assets used in the production of revenues such as: salaries; store expenses (only the amount of supplies used is an expense of the period); depreciation of equipment, furniture, vehicles, etc.; office expenses; telephone; etc.

## **Consolidated Profit and Loss Statement**

The Consolidated Profit and Loss Statement is prepared monthly and is simply the accumulated totals of all the activities of the association that produce income. The data for the preparation of this form are derived from the Profit and Loss Statements of each activity for the reporting period.

### **Explanation and Use**

*Cost of Goods Sold.* This term must not be confused with the costs of selling goods, such as salaries, etc. In setting up the cost of goods sold section of a Profit and Loss Statement, four items—purchases, purchase returns to vendors and allowances for them, purchase discounts, and transportation—are used, together with the opening and closing inventories.

*Other Income.* List here any other income not covered elsewhere and prepare a separate schedule to explain the reason for the income.

*Undistributed Expenditures.* List here the total of other expenditures and prepare a separate schedule to explain in detail the reason for such expenditures.

## **Balance Sheet**

The Balance Sheet is a summary of the General Ledger accounts. In contrast to the Profit and Loss Statement, which covers an entire accounting period, the Balance Sheet is for a specific date. It is often desirable to compare the current year's balance with that of the preceding year.

The Balance Sheet simply lists the accounts as they appear in the General Ledger, with their balances and with the additions and subtractions necessary to show the total assets, liabilities, and capital. Remember that "the Balance Sheet must balance"; that is, total assets must equal total liabilities plus capital.

(ASSOCIATION NAME)

**FACILITY PROFIT & LOSS STATEMENT**

**FACILITY:** Snack Bar #1

**REPORTING PERIOD:** BEGINNING 1 January 84 ENDING Thru 31 January 84

	<u>CURRENT MONTH</u>	<u>PERCENT OF TOTAL</u>
<b><u>SALES:</u></b>		
Food and Beverage .....	=====	=====
Tobacco Products .....	=====	=====
Other .....	=====	=====
<b>TOTAL SALES .....</b>	<b>=====</b>	<b>=====</b>
<b><u>COST OF GOODS SOLD:</u></b>		
Food and Beverage .....	=====	=====
Tobacco Products .....	=====	=====
Other .....	=====	=====
<b>TOTAL: COST OF GOODS SOLD.....</b>	<b>=====</b>	<b>=====</b>
<b><u>GROSS PROFIT FROM SALES:</u></b>		
Food and Beverage .....	=====	=====
Tobacco Products .....	=====	=====
Other .....	=====	=====
<b>TOTAL: GROSS PROFIT ON SALES.....</b>	<b>=====</b>	<b>=====</b>
<b><u>OPERATING EXPENSES:</u></b>		
Base Pay, Local .....	=====	=====
Overtime Pay, Local.....	=====	=====
Holiday Pay, Local .....	=====	=====
Base Pay, U.S.....	=====	=====
Withholding Tax, Local.....	=====	=====
Withholding Tax, FICA/IRS, U.S.....	=====	=====
Allowance/Bonus/Benefits, Local.....	=====	=====
Allowance, Meals, Local .....	=====	=====
Allowance, Housing/Other, U.S. ....	=====	=====
Supplies/Expendable Equipment .....	=====	=====
Utilities/Rent/Related .....	=====	=====
Repairs/Maintenance .....	=====	=====
Damaged Merchandise .....	=====	=====
Pro-rated General Manager's Office Cost.....	=====	=====
(See Schedule of Distribution #)	=====	=====
<b>TOTAL OPERATING EXPENSES .....</b>	<b>=====</b>	<b>=====</b>
<b><u>NET PROFIT/(LOSS) FROM OPERATIONS.....</u></b>	<b>=====</b>	<b>=====</b>

(ASSOCIATION NAME)

**CONSOLIDATED PROFIT AND LOSS STATEMENT**

Reporting Period: Beginning \_\_\_\_\_ Ending \_\_\_\_\_

Sales ..... \$ \_\_\_\_\_

  Returned Sales..... \$ \_\_\_\_\_

  Discounts Given .. \$ \_\_\_\_\_

  Net Sales ..... \$ \_\_\_\_\_

Cost of Goods Sold:

  Inventory of Mdse // ..... \$ \_\_\_\_\_

  Purchases..... \$ \_\_\_\_\_

  Transportation In .. \$ \_\_\_\_\_

  Gross Cost of Mdse Purchased ..... \$ \_\_\_\_\_

  Less:

    Purchase Returns & Allowances .. \$ \_\_\_\_\_

    Purchase Discounts..... \$ \_\_\_\_\_

  Net Cost of Mdse Purchased..... \$ \_\_\_\_\_

Cost of Mdse Available for Sale..... \$ \_\_\_\_\_

  Less:

    Inv. of Mdse // ..... \$ \_\_\_\_\_

  Cost of Goods Sold ..... \$ \_\_\_\_\_

Gross Profit on Sales..... \$ \_\_\_\_\_

Operating Expenses:

  Salaries ..... \$ \_\_\_\_\_

  Social Security Taxes .. \$ \_\_\_\_\_

  Store Expenses .. \$ \_\_\_\_\_

  Insurance and Bonding..... \$ \_\_\_\_\_

  Repairs/Maintenance..... \$ \_\_\_\_\_

  Central Warehouse Cost..... \$ \_\_\_\_\_

  Bad Debts..... \$ \_\_\_\_\_

  Depreciation of Furniture  
    and Equipment ..... \$ \_\_\_\_\_

  Total Operating Expenses ..... \$ \_\_\_\_\_

Net Operating Income..... \$ \_\_\_\_\_

Other Income (See Schedule # \_\_\_\_\_) ..... \$ \_\_\_\_\_

Undistributed Expenses (See Schedule # \_\_\_\_\_) ..... \$ \_\_\_\_\_

Net Profit/(Loss)  
(Transferred to Net Worth) ..... \$ \_\_\_\_\_

(ASSOCIATION NAME)

Balance Sheet as of \_\_\_\_\_  
ASSETS

Current Assets

Cash on Hand

U.S. .... \$ .....  
Local \_\_\_\_\_ @ \_\_\_\_\_ = \$1.00 ..... \$ ..... \$ .....

Cash in Bank

U.S. .... \$ .....  
Local \_\_\_\_\_ @ \_\_\_\_\_ = \$1.00 ..... \$ ..... \$ .....

Accounts Receivable.....

Loans Receivable.....

Inventories .....

Total Current Assets .....

Investments

Stocks ..... \$ .....  
Time Deposits..... \$ .....

Bonds..... \$ .....

Total Investments .....

Fixed/Non-Expendable Assets

Equipment ..... \$ .....  
Less Depreciation ..... \$ ..... \$ .....

Facility ..... \$ .....

Less Depreciation ..... \$ ..... \$ .....

Real Estate .....

Total Fixed Assets .....

**TOTAL ASSETS** ..... \$ .....

EQUITIES

Current Liabilities

Accounts Payable  
U.S. .... \$ .....  
Local \_\_\_\_\_ @ \_\_\_\_\_ = \$1.00 ..... \$ ..... \$ .....

Accrued Salaries/Benefits

U.S. .... \$ .....  
Local \_\_\_\_\_ @ \_\_\_\_\_ = \$1.00 ..... \$ ..... \$ .....

Taxes Payable

U.S. .... \$ .....  
Local \_\_\_\_\_ @ \_\_\_\_\_ = \$1.00 ..... \$ ..... \$ .....

Total Current Liabilities .....

Long-Term Liabilities

Membership ..... \$ .....

Loans ..... \$ .....

Mortgages..... \$ .....

Total Long-Term Liabilities .....

Net Worth/Retained Earnings

As of (Date of Last Balance Sheet) ..... \$ .....

Increase (Decrease) ..... \$ .....

Total Net Worth..... \$ .....

**TOTAL EQUITIES** ..... \$ .....

## Financial Analysis

Each association is required to submit financial statements to the Office of the Deputy Assistant Secretary for Operations (A/OPR) twice a year in accordance with 6 FAM 500. These statements are examined for accuracy and proper use of accounting methods and are then analyzed using the methods noted below. The results are then compared with other associations of similar characteristics and A/OPR makes recommendations for the improvement of the operation where necessary. This is done in a semiannual airgram to all posts with employee associations. Recommendations are meant to point out where problems might exist. In some instances a review at the local level, based upon more complete data, will show that suspected problems do not exist.

A/OPR makes use of the following measurements in doing its analysis:

**Projected Annual Sales.** This is a projection of the annual sales of the association based on the Profit and Loss Statement submitted. It is only a rough guide because of the short base period used and the fact that cyclical adjustments are not taken into consideration.

**Current Ratio.** This is the expression of the relationship between the current assets and the current liabilities of the enterprise. It is a general test to determine the ability of an enterprise to liquidate its current indebtedness and to finance operations in the immediate future. As a general rule, this ratio should be at least 2:1.

**Liquidity.** This is sometimes called the acid test ratio. It is the expres-

sion of the relationship of cash and receivables to the current liabilities. As a general rule, this ratio should be at least 1:1.

**Inventory Turnover.** This ratio figure represents the total projected cost of goods sold over a 1-year period divided by the *average* inventory at cost. A *minimum* turnover of three or four times a year is a good guideline. The higher the turnover rate, the less capital is required.

**Net Profit.** This percentage figure is computed from net profits divided by net sales. To insure continuing stability and avoid losses, local management should aim at a minimum net profit of 2-3%.

**Gross Margin.** This percentage figure represents the spread between the cost of goods sold and the net sales and is the amount available for expenses and net profit. Because of the varying conditions among posts, a standard figure would be meaningless. Comparison with similar associations can aid in identifying problem areas.

**Operating Expenses.** This percentage figure represents the amount spent for operating expenses. Here again the standard figure would be meaningless although it is considered worthwhile to compare this figure with that of other associations with similar type operations.

**Salaries.** This percentage figure represents the association salary costs divided by the net sales. Because of the varying types of operation and the great difference in salary costs throughout the world, it is difficult to establish a standard figure. However, salary costs in excess of 8% should probably be investigated—particularly if the local wage level is generally quite low.

## SECTION III

### Guidelines for Establishing a Procurement System

---

#### General Considerations

To the extent feasible, within guidelines set out in 6 FAM 500, associations should follow procurement practices prescribed by the Federal Procurement Regulations as implemented by the Department of State Procurement Regulations (FPR/DOSPR). The Boards of Trustees should consult with post Administrative and/or General Services Officers for guidance regarding proper procedures under the FPR/DOSPR. By following such procedures, associations can take advantage of practices recognized by vendors as being designed to protect their interests as well as those of the contracting agency. Though designed for use by Government purchasing entities, many of the procedures contained in the FPR/DOSPR are adapted from the Universal Commercial Code which is recognized as a restatement of basic contract law principles.

The Board should delegate procurement authority to one individual to insure consistency, while retaining the right to decide on large or unusual procurements. Where the size of the association makes it practical, the Board should provide written guidelines on:

- A dollar limit for procurements without Board approval;
- Identifying, evaluating, and selecting vendors;
- The type and number of records to be kept on vendors; and
- Handling vendor complaints.

Periodically, the Board should review the procurement practices and procedures to determine that they are working in a timely and prudent manner and that the association is receiving the best product at the lowest cost.

Where the size of association operations makes it possible, the source of procurement should not be decided by persons receiving or using the stock or having authority for payment of stock. The receiving function should not be performed by persons having access to or accountability for either stock or financial records.

One management technique that pays dividends in purchasing is making a periodic forecast of demand. Factors such as variations in membership, season, price fluctuation, the introduction of new products or new packaging, or changes in transportation all operate against the decision to simply "order what we ordered last time."

The procurement function in an association is easily broken down into two sections: the procurement of services and the procurement of things. Though associations do acquire equipment, supplies, and merchandise through donations and transfers, these things are usually procured using purchase orders. Services, both personal and nonpersonal, are best procured through contracting.

#### Contracts for Services

Contracts for the performance of work should include provisions defining to the extent appropriate:

- The scope and extent of contract work;
- The time for completion of the contract work, including, where appropriate, dates for completion of significant tasks;
- The contract price and method and currency of payment;

- Identification of key personnel and facilities necessary to accomplish the work within the required time;
- The extent of subcontracting and consulting agreements;
- Provision for changes by the association within the general scope of the contract in the services or work to be performed;
- Provision for termination by the association of contract performance for default by the contractor or for the convenience of the association and, where appropriate, for suspension by the association of the contractor's performance of project work under the contract;
- Provision for resolution of disputed matters arising under the contract through adjudication, administrative remedies, or arbitration, at the option of the association;
- Sanctions or penalties for nonperformance by the contractor;
- Price reduction for defective cost or pricing data;
- Contractor records, access, and audit;
- All provisions needed to insure contractor conformance with the terms, conditions, and specifications; and
- Prohibition against contingent fees and gratuities.

#### Sources of Merchandise

**Buy American.** For both representational purposes and morale, association stores should stock a certain amount of American goods which are perceived by host country nationals to be distinctly American products and/or are readily identifiable as ingredients of American culture. For purposes of economy, buying American can be beneficial:

- Anywhere a U.S. military installation exists. Bulk purchases through nearby commissary/PX/Class VI operations might well provide the best products at the lowest cost, and this source of supply should be carefully investigated. Club prices for bulk purchases through Class VI stores are particularly advantageous; and
- At posts which are on or near direct-sailing ports of call from the United States. Even counting the costs of transportation, buying American in this manner could provide the best quality at the lowest cost.

**Local Purchase.** Within the restrictions of 6 FAM 500, it may be possible for associations to purchase good quality products at lowest prices on the local market by making use of bulk purchases. Also, perishable produce can often be obtained more cheaply on the local market than through military or U.S.-based private suppliers. Care should be taken to avoid unfair competition with local stores.

**Third Country.** In certain areas, it is better (cheaper, more dependable delivery, shorter lead time) for an association to order from third countries with direct transportation links to the post location. Physically and/or politically isolated posts may find this the most dependable supply method.

In any case, the obligation of the association Board of Trustees and commissary manager is to provide the membership with the best quality products at the lowest cost. Because of fluid economic conditions, a deci-

sion for one method or a certain combination of methods should not be considered sacrosanct and should be reviewed at least annually. Boards and managers should be alert to changes in U.S. Government procurement policies/procedures so that the associations can take advantage of them.

## Procurement Records and Forms

Records should sufficiently detail the history of each procurement. These records or files should include, but are not necessarily limited to, information pertinent to the rationale for the method of procurement, selection of contract type, vendor selection, and the basis for price negotiated.

### Purchase Order

The Purchase Order form must contain the necessary information to immediately identify all phases of the transaction—buyer, vendor, shipper, and description of the order. The sample Purchase Order can be adapted for use by any association.

### Explanation and Use

*Purchase Order Number.* The symbols can be the initials of the association followed by the current year and the sequence number of the Purchase Order.

*Date.* This is the actual date the purchase order was prepared. This date is important because it is data needed for supply cycle management.

*Terms of Acceptance and Documentation Required.* How and when does the vendor want payment? Will partial shipment be agreeable to the

association? FAS (Free Alongside Ship), FOB (Free on Board), and CIF (Cost, Insurance, and Freight) are terms that must be agreed upon beforehand by buyer and vendor. For most associations, CIF would probably be the best method of procurement because it puts on one invoice the cost of goods, the insurance, and the freight charges to the nearest port. The association must determine beforehand what documents are required to bring the goods into the country (customs, storage, transportation, etc.) and instruct the vendor on the Purchase Order as to what originals and copies are needed.

Generally, the manager will sign the Purchase Order, after Accounting has assigned an obligation number. The actual number of copies prepared will depend on the needs of the association; the original and five copies should suffice. The original and one copy go to the vendor. As the form indicates, a return copy is requested to acknowledge receipt of the order and the vendor's acceptance of the terms. Any changes to the copy should be investigated at once.

Of the remaining copies, one goes to the accounting department for obligation of funds and its pending file. One copy goes to the warehouse for information, planning, and pending files. One copy is procurement's file copy. One copy is for the freight forwarder, as necessary.

### Purchase Order Register

The Purchase Order Register functions as a management tool: It gives the general manager quick access to the status of all orders. Since the Register lists the date each order was prepared and the date it arrived, the manager can better estimate the time required in the supply cycle.

The Register is not elaborate; it contains the following information, all on one line: Purchase Order number and the date it was prepared; the vendor; a description of the order; and the Receiving and Inspection Report number and the date it was prepared. This register is usually maintained by the individual who prepares the Purchase Orders.

**AMERICAN EMBASSY EMPLOYEES ASSOCIATION**

**P U R C H A S E O R D E R**

TO: <u>Diplomatic Grocers Supply</u>	FROM/SHIP TO: <u>AMERICAN EMBASSY</u>
<u>84 Harrison Street</u>	<u>EMPLOYEES ASSOC.</u>
<u>Buffalo, NY 14202</u>	<u>2300 Rue de la Paix</u>
<u>U.S.A.</u>	<u>Freetown, Sierra Leone</u>
	<u>% American Embassy</u>

PURCHASE ORDER NUMBER: AEEA 83/55 DATE: 15 September 1983

<u>ITEM NO.</u>	<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>PRICE</u>	<u>AMOUNT</u>
1	10 case	Beans, Green Cut, (Brand Name) 23/303	\$14.80	\$ 148.00
2	10 case	Corn, Whole Kernel (Brand Name) 24/303	14.50	145.00
3	5 case	Vinegar, Cider, (Brand Name) 4/l gal	24.40	122.00
				<b>TOTAL</b>
				<b>\$ 415.00</b>

**FISCAL DATA:**

**TERMS OF ACCEPTANCE AND DOCUMENTATION REQUIRED**

PAYMENT: <u>In advance with order</u>	INVOICE: ORIGINAL AND <u>2</u> COPIES
SHIPMENT BY: <u>Commercial Ocean Freight</u>	PACKING LIST: ORIGINAL AND <u>1</u> COPIES
TRANS-SHIPMENT: <u>Avoid if Possible</u>	BILL OF LADING: ORIGINAL AND <u>2</u> COPIES
PARTIAL SHIPMENT: <u>NOT Acceptable</u>	INSURANCE CERTIFICATE: ORIGINAL AND <u>2</u> COPIES
FAS: _____ FOB: _____ CIF: <u>XXX</u>	LANDING CERTIFICATE: (IF REQUIRED)

INSURANCE: Contracted by Vendor, at Purchaser Expense

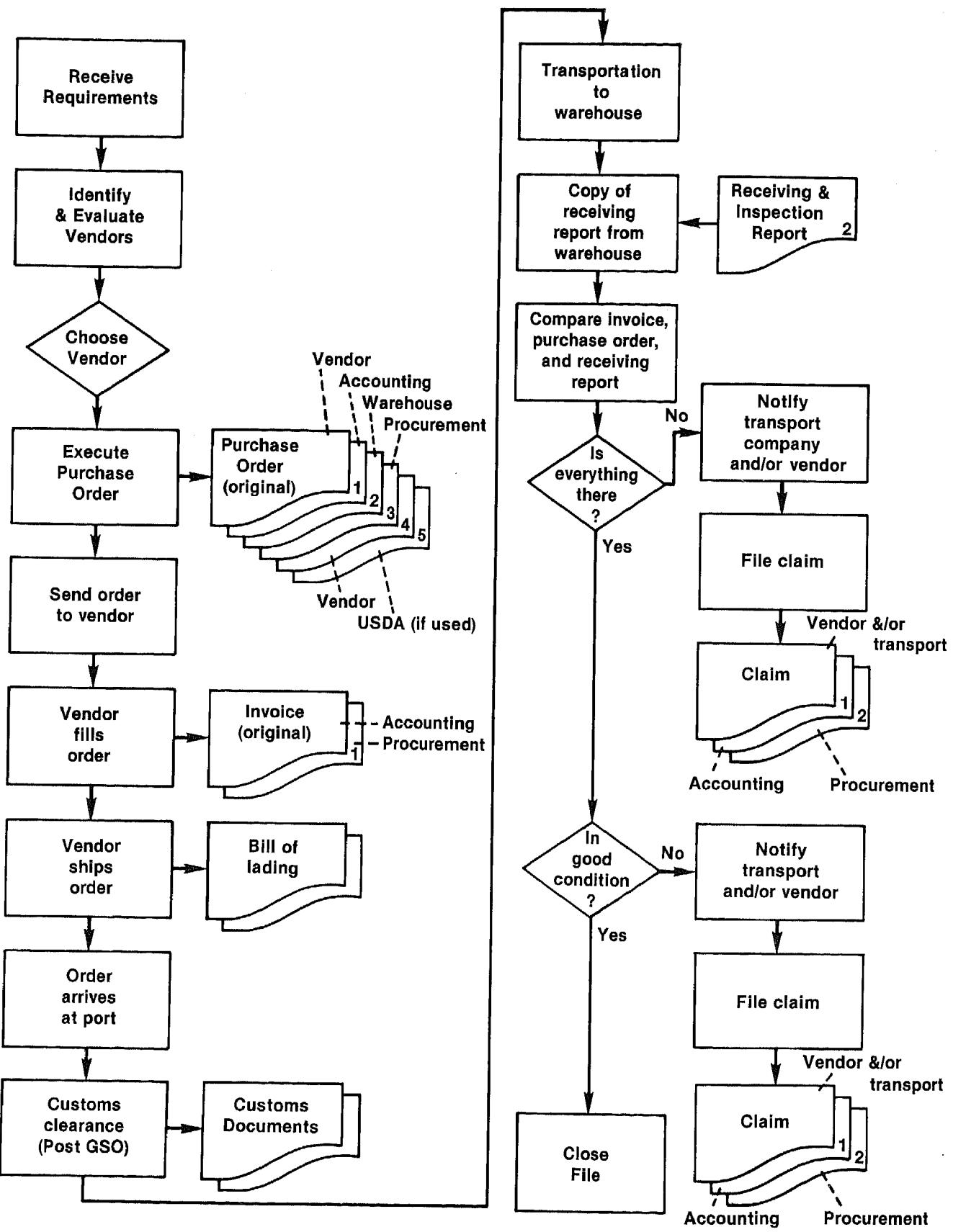
APPROVED FOR PURCHASE: Name and Title

John A. Doe, General Manager

**REMARKS:**

**VENDOR: RETURN COPY TO BUYER TO SIGNIFY RECEIPT OF ORDER AND ACCEPTANCE**

## The Procurement Cycle



## SECTION IV

### Guidelines for Establishing and Maintaining an Inventory Control System

#### General Considerations

There are two basic types or classes of inventories: fixed assets and nonexpendable equipment, and merchandise and expendable items. As inventories of merchandise and equipment account for the major portion of most associations' assets, these assets must be properly maintained and accounted for. Merchandise inventories are especially vulnerable to many kinds of losses—spoilage, breakage, deterioration, damage from temperature, fire, vermin, etc., and damage or pilferage en route. For this reason associations obtain insurance on their inventories against these dangers and attempt to prevent overstocking.

Inventory control records are essential to the effective workings of the procurement process and the financial record system and so are designed to provide continual or periodic data for these other processes. The sample records described below illustrate different philosophies of inventory control; data or operations vital to one method may be less important to another. The samples, then, should be used as guides in formulating the association's day-to-day operating system. It may be to the association's benefit to adopt readymade systems and forms (e.g., the Department of State's) and/or alter them to fit its special requirements. The association can also develop its own procedures and forms, tailoring them to its size and its needs.

#### Fixed Assets/Nonexpendable Equipment

This class includes land, buildings, machinery, vehicles, equipment, and all other items or products not acquired for resale that have a high unit cost and have a useful lifetime of several years.

#### Depreciation and Sinking Funds

From time to time the association will need to buy equipment. This property will be expected to last several years, so it would not be realistic to consider the whole cost as an expense for one inventory period. Consequently, when it is received it must be set up in the books as a fixed asset and depreciated in value over its useful life. This is done for specific reasons: 1) It is good accounting procedure to deduct the entire cost of a piece of equipment over its effective life; 2) By setting up a fixed assets

inventory sheet, scheduling inventories, and deductions for depreciation, the association is protecting and controlling its asset; and 3) It aids in planning for eventual replacement.

Several methods of computing depreciation exist. The simplest and most commonly used is the straight-line method. Three factors must be taken into consideration: the cost of the asset; its estimated useful life; and its salvage or trade-in value, if any, at the end of its useful life. As an example, assume that, including all costs, the asset costs the association \$625; its estimated life will be 5 years; and at the end of those 5 years it will be worth \$75. The formula is as follows:

$$\frac{(\text{Total Cost}) \text{ Minus} (\text{Salvage Value})}{(\text{Useful Life})} = \text{Yearly Depreciation}$$

or

$$\frac{\$625 - \$75}{5 \text{ years}} = \$110 \text{ per year}$$

An association may acquire property through methods other than direct purchase (e.g., donation). These acquisitions become fixed assets or nonexpendable equipment and must be given a dollar value in order to apply them to the net worth of the association. The general manager must decide, with the approval of the Board of Trustees, what the minimum dollar value will be that constitutes a fixed asset.

Responsible management of fixed assets requires that, as the decline in value of an item is carefully documented, so should the eventual replacement of the item be carefully prepared for—to avoid sudden heavy financial drain on the association due to easily anticipated yet unplanned for capital expenditure. A careful examination of the item's anticipated useful life and the trends of replacement costs for similar items is necessary; it can yield an amount which could prudently be set aside in a sinking fund to help meet future replacement costs. A reasonable rule of thumb is that reductions in a given period for depreciation should be equaled by credits to a sinking fund.

#### Fixed Assets Inventory Sheet

Rigid control over fixed assets should be a standard requirement at all associations. The sample forms hold pertinent data about the asset (cost, vendor, location, book value, and inventory dates) which are not only essential for control but are necessary for administrative reviews and audits. Where an association has several facilities, control can be enhanced and labor reduced by grouping the forms by facility or room.

## FIXED ASSETS INVENTORY SHEET

MAKE: <b>GENERAL ELECTRIC</b>	DESCRIPTION-MODEL: <b>2 DOOR REFRIGERATOR/W FREEZER COMPARTMENT 16 CU. FT.</b>			SERIAL NUMBER: <b>123456789</b>
PURCHASE ORDER NUMBER: (OR HOW ACQUIRED) <b>AEEA 85/175</b>	COST: <b>① \$625.00</b>	VENDOR: <b>International Sales</b>	DATE RECEIVED: <b>20 Sept. 85</b>	CONDITION: <b>New</b>
USEFUL LIFE: <b>5 Years</b>				
SALVAGE VALUE: <b>\$75.00</b>				
MONTHLY DEPRECIATION: <b>\$ 9.16 ②</b>				
DATE	LOCATION	DEPRECIATION	BOOK VALUE	
<b>9/20/85</b>	<b>Commissary Office</b>		<b>\$625.00</b>	
<b>9/30/85</b>	<b>Commissary</b>	<b>\$ 9.16</b>	<b>615.84</b>	
<b>10/31/85</b>	<b>"</b>	<b>9.16</b>	<b>606.68</b>	
<b>11/30/85</b>	<b>"</b>	<b>9.16</b>	<b>597.52</b>	
<b>12/31/85</b>	<b>"</b>	<b>9.16</b>	<b>588.36</b>	
<b>1/31/86</b>	<b>"</b>	<b>9.16</b>	<b>579.20</b>	
<b>2/28/86</b>	<b>"</b>	<b>9.16</b>	<b>570.04</b>	
<b>3/31/86</b>	<b>"</b>	<b>9.16</b>	<b>560.88</b>	
<b>4/10/86</b>	<b>Moved to Kitchen</b>			
<b>4/30/86</b>	<b>"</b>	<b>9.16</b>	<b>551.72</b>	

- ① The cost should include all charges related to the asset: acquisition, freight, insurance, customs, handling, etc. If the asset was donated to the association by an agency, company, or individual, it must be given a book value and depreciated accordingly.
- ② Items are depreciated on a monthly basis so that monthly balance sheets required by 6 FAM 500 will accurately reflect the association's assets.

Typewriter	ITEM MAKE	Model 853 - Selectric w/13" carriage			5N4321986
	ACQUISITION DOCUMENT NO.	220V 50HZ	MODEL - DESCRIPTION	SERIAL NUMBER	
AEEA 84/121		COST ①	SOURCE	DATE RECEIVED	CONDITION
		765.00	IBM Export	8/14/84	NEW
DATE	LOCATION	REMARKS			
8/20/84	GENERAL MANAGER'S OFFICE				
ITEM	MAKE	MODEL - DESCRIPTION			SERIAL NUMBER
- - - - -	- - - - -	- - - - -			- - - - -

OPTIONAL FORM 129

**INDIVIDUAL PROPERTY RECORD**

① The cost should include all charges related to the asset: acquisition, freight, insurance, customs, handling, etc. If the asset was donated, it must be assigned a value.

## **Merchandise and Expendable Supplies**

This class of inventory includes all the products purchased for resale in the commissary, restaurants, snackbars, lounges, bottled goods store, and gift shop. In addition, it includes janitorial supplies, paper bags, wrapping paper, uniforms, tableware, kitchen supplies, office supplies, etc. It is this type of inventory that suffers the greatest losses, and so it is this type of inventory that requires the greatest amount of control. Sets of records for saleable merchandise and for consumed supplies are usually kept separate.

### **Stock Records and Reports**

The maintenance of stock records should not be performed by persons having access to or responsibility for the receiving of merchandise or maintenance of financial records. If the size or nature of the association makes this impracticable, additional safeguards (e.g., independent verification) should be adopted.

All successful systems of stock control will provide certain basic data which is used by the accounting and procurement units. The selection of the method best suited to an association should be based on the organization's resources and its requirements for controls. Careful and correct posting of stock records is a necessity as they are permanent records and are used for support documents when preparing financial statements and reports.

**Receiving/Inspection Report Register.** This register is a companion to the Purchase Order Register; it is a simple listing of all pertinent data regarding the arrival and receipt of goods. Information contained in the Register is used to evaluate the operation of the delivery process, to compute procurement lead times, and to document the performance of vendors, host country customs, local transportation companies, etc.

R/I	Port	Full/				
Date	R/I#	Vendor	Arrival	VIA	Partial	P.O.#

**Receiving/Inspection Report.** Where practicable, the receiving function should not be performed by persons having access to or responsibility for either procurement or financial records. If this separation of functions is not practicable, additional safeguards should be adopted (such as verification of receipts by a second party or receipt by two persons). The sample form includes all the information necessary to satisfy administrative reviews, financial reports, and audits.

An original and three copies of the report should be prepared: The original and one copy go to Accounting (the copy is used as a supporting document in case of claims against the shipper and/or vendor for shortages/damages) and one copy each goes to Procurement and the Warehouse.

**Perpetual Stock Records.** Perpetual Stock Records permit a complete review of a facility's stock at any time; they are not dependent upon physical inventories for unit counts. Such records can be kept on individual forms for each item, or grouped together on one form by categories (same vendor, complementary products, etc.). Changes to these records are posted each time there is a movement of stock (replenishment, issuance, loss). Some of the methods divorce the stock records from stock values; others make value a major component. The same is true for replenishment data, identification of receiving facility, etc. The choice of factors to be included in the Stock Records depends upon the size and nature of the facilities. Perpetual Stock Records permit the preparation of financial statements without requiring a physical inventory; this is particularly helpful to larger organizations. (See page 32.)

**Periodic Stock Record.** Using the periodic method simplifies the work on a daily basis. The periodic listing records only additions to the stock of an item; the monthly physical inventory figure is then recorded, and the difference is checked against the entries on the Requisition and Issue Slips. Any discrepancies should be investigated and charged against a loss account for damage, spoilage, etc. (See page 33.)

**Requisition and Issue Slip.** Merchandise, regardless of its nature, must be accounted for and documented when it leaves the association's storage areas. Management is responsible for controlling the use and movement of inventory. The sample Requisition and Issue Slip has been designed to aid control:

- It identifies the person and facility that made the request and the person and facility that made the issue;
- Review of the documents by the manager will reveal any unexpected problems needing attention—excessive use, waste, repetition, stockouts, etc.;
- It is a permanent record for the originator, the issuer, and the accounting department; and
- It serves as a supporting document for distribution of debits or credits and for financial reports and audits.

An original and three copies are prepared. The Warehouse assigns a sequential control number to each Requisition/Issue Slip when it is received in the Warehouse. If stock records are kept, changes should be posted before the document is executed. The original and two copies go to the Warehouse, one copy remains with the originator for the pending file. Once the Warehouse fills the order, the individual receiving the merchandise signs all copies of the document, and gives one copy to the originator for permanent files. One copy is returned to the Warehouse for its files, and the original document is delivered to the Accounting department for appropriate action. Once the document is completed, the responsibility for protection, control, and use of the merchandise moves to the receiving facility. (See page 34.)

**Physical Inventory.** The conduct of a physical inventory requires at least two persons. One should be a disinterested party, the other one should be someone thoroughly familiar with the merchandise to be inventoried. The disinterested party is the one who actually counts the stock; the other verifies the count and assures that the items are correctly identified.

The sample monthly Inventory Sheet below can be used by the inventory takers as a worksheet and is also used for the completed inventory. The final inventory report should be typed, neat and free from over-types and errors. The worksheets should be retained as supporting documents.

Any deliberate differences between the worksheets and the final inventory sheet (e.g., recount) should be initialed by the person responsible for the change. The physical inventory should be taken on the last day of the reporting period.

The monthly inventory coversheet should clearly display the summary inventory data for each facility and identify the individuals involved. For administrative review and audits it shows that proper inventory control procedures are being followed (e.g., warehouse personnel are not taking their own inventories). When the general manager is completely satisfied that all inventories are correct, he/she signs as approving them, retains a copy for the accounting files, and makes distribution as required by the Board of Trustees. (See page 35.)

## RECEIVING/INSPECTION REPORT

①  
R/I # AEEAR 84/16

Purchase Order # AEEA 83/55

Method of Acquisition: Purchase

Vendor: Diplomatic Grocers Supply  
84 Harrison Street,  
Buffalo, New York 14208

Remarks: ②

Date of Receipt: ③

ITEM	DESCRIPTION	SIZE	AMOUNT REC'D.
1.	Beans, Green Cut, (Brand Name)	24/303	10 cases
2.	Corn, Whole Kernel, (Brand Name)	24/303	10 cases
3.	Vinegar, Cider, (Brand Name)	4/l gal	4 cases
4.	etc.		

- ① Enter the same number as the purchase order or a separate number series developed in the same manner as the purchase order number (i.e., the initials of the association, an "R" for Receiving, followed by the year and the sequence number).
- ② Any changes to the purchase order, damages, shortages, or other information that pertains to discrepancies between the order and the amount/condition of the goods received.
- ③ This is the date the merchandise arrived in the association's warehouse, not the port or other in-country holding facilities. Host country customs clearances can require extended periods of time.

- ①** Enter stock or catalog number, if applicable.
- ②** Determine the units in which the item will be issued, e.g., dozen, box, pack.
- ③** Enter the date recorded on the Receiving and Inspection Report or the date of the Requisition and Issue Slip.
- ④** List the facility issued to and the control number from the Requisition and Issue Slip (for issues) or the procurement or requisition document number (for receipts).
- ⑤** Enter the total number of units received, using the unit of issue listed on the top line. (The purchase unit and the issue unit may be different).

**UNIT MERCHANDISE CONTROL RECORD**

---

- ① With the exception of the case pack portion of column 8, all entries should be in the multiple of the unit of issue recorded on the top line.
- ② Record the weight/cube of the case pack if vendor has minimum order/shipping requirements.
- ③ Begin a new line for each action (receipt, physical inventory, etc.).
- ④ Record, on the action date, the total quantity on hand in the warehouse. (Smaller operations should include salesfloor stocks as well).
- ⑤ Record, on the action date, the difference between columns 4 and 5.
- ⑥ Record, on the action date, the total of column 5 for the present cycle and other quantities recorded in column 8 for previous cycles and not yet received.
- ⑦ Compute this amount by subtracting column 7 from column 11.
- ⑧ Record the date an item is "not in stock" on the line on which the reduced sales will be reflected.
- ⑨ Record the date the order in column 8 is received.

**REQUISITION AND ISSUE SLIP**

Number: 023

TO: Central Warehouse

DATE: 26 January 1984

**REQUESTED BY:** \_\_\_\_\_  
**Name and Title:** John Johnson, Restaurant Manager

**FACILITY:** Restaurant

ISSUED BY:

ISSUED BY: Name and Title: Bill McCarthy, Warehouse Manager

第二章

ISSUED BY: \_\_\_\_\_  
Name and Title: Bill McCarthy, Warehouse Manager

DATE ISSUED

28 January 1984

RECEIVED BY:

**Bob Adams, Chef**

DATE: 28 January 1984

## **PHYSICAL INVENTORY SHEET**

DATE 31 January 1984 INVENTORY TAKEN: 31 January 1984 FACILITY: Commissary Whse. PAGE NUMBER: 1

## Stock Value

Stock records usually include a statement of the worth of the individual stocks, broken down by item. Determination of these values is based on several management decisions: How will the transportation and other related costs be distributed among the items in one order? Will the stocks be carried at a cost value, or a selling price value? How will currency fluctuation affect valuation? How will markup for retail sale be determined, and will the Warehouse or the selling facility set the retail price and mark the merchandise?

While several acceptable methods are used for carrying inventory values and determining the cost of goods sold, FIFO (first-in, first-out) is perhaps the easiest to work with. Inventories are noted at cost plus related acquisition expenses; replenishment notations are kept separate, and the older stock values are used up before the values of subsequent orders are touched. FIFO parallels the actual movement of the stock (older stock is shelved and sold before newer stock) and gives the management a stronger basis for explaining price increases. FIFO also serves to draw attention to sharp fluctuations in item costs and alerts the manager to a possible drop in sales of the item.

The average cost method involves recomputing the value of the stock each time new stock is received. The value derived by the average cost method is closer to the actual replacement cost of the stock sold/used than the value the FIFO method yields. The average cost is computed by totaling the individual item cost of each item in stock and then dividing by the total number of items. (Total value will fluctuate slightly due to rounding.)

## Replenishment

One of the key elements of an inventory control system is the mechanism for indicating the need to reorder. Reorder quantities can be affected by transit time, lot-size orders to take advantage of favorable transportation rates, lot-size or minimum orders required by vendors, etc. Other considerations on the size of reorders include the cost and availability of storage space, insurance costs, shelf-life, or possible deterioration over time.

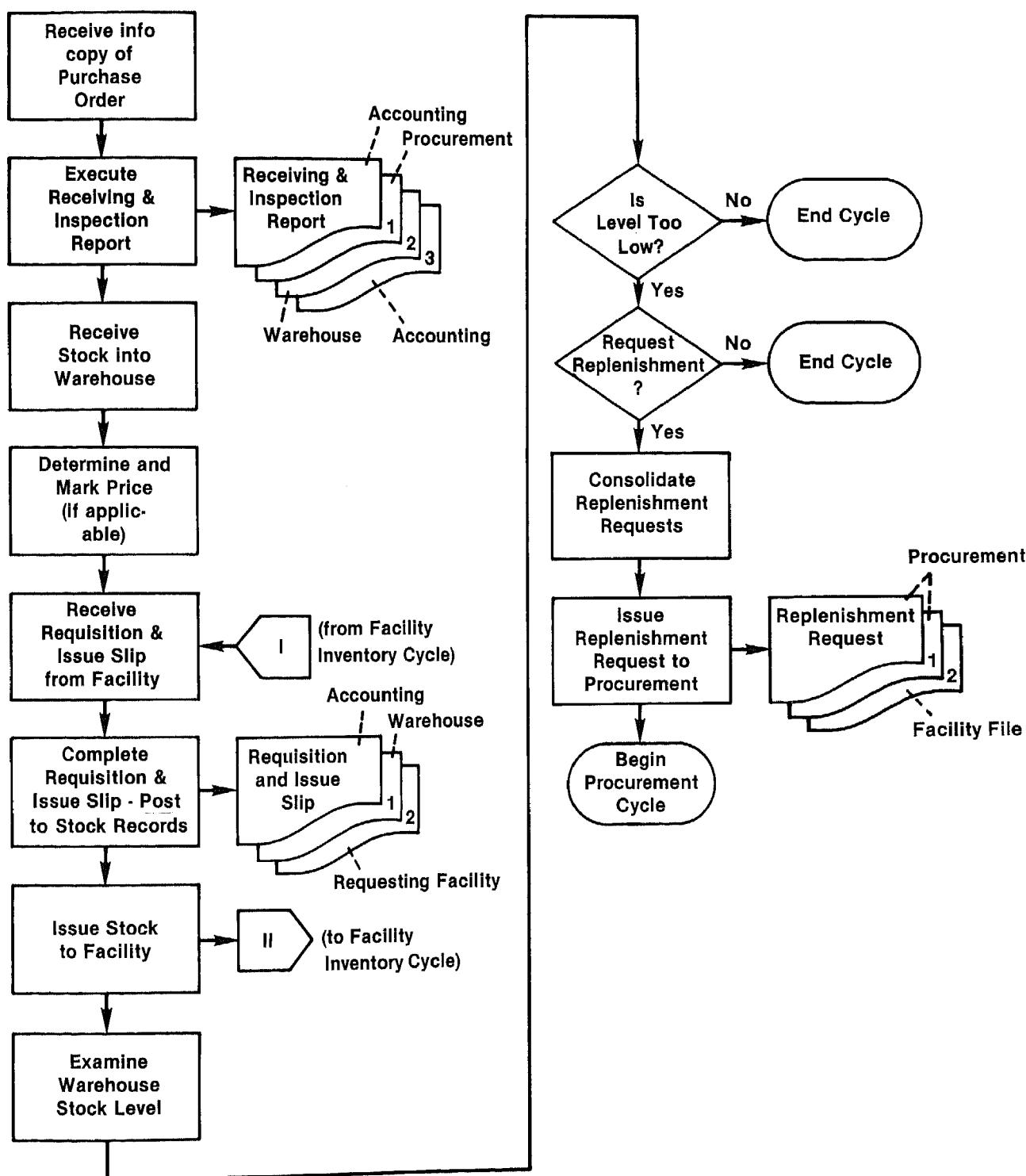
Various methods, some very sophisticated, are used for the management of replenishment. The simplest is a "two-bin" system: "Bin A" contains a fixed level of stock of a given item: a "leadtime" amount to cover expected sales during the replenishment period (order to delivery) plus a buffer stock to cover unusual demand or delayed delivery. "Bin B" contains all other stock of the same item. When normal sales have emptied "Bin B," a request for replenishment goes from the Warehouse to the Procurement unit. Under this system the replenishment order is the same size each time (e.g., the quantity is constant but the timing of the orders is irregular). When the replenishment is received, "Bin B" is filled to the fixed level and all remaining stock is put into "Bin A" which becomes the primary source for the next period, thus precluding outdated buffer stock.

An alternative for operations placing infrequent orders is periodic review. In this case, at fixed intervals (coinciding with a physical inventory) all the stock is surveyed and orders are placed for every item to bring stocks to a predetermined level (e.g., the amount of anticipated sales before the next review plus a buffer stock). In this case, the timing of orders is regular, but the order quantities change.

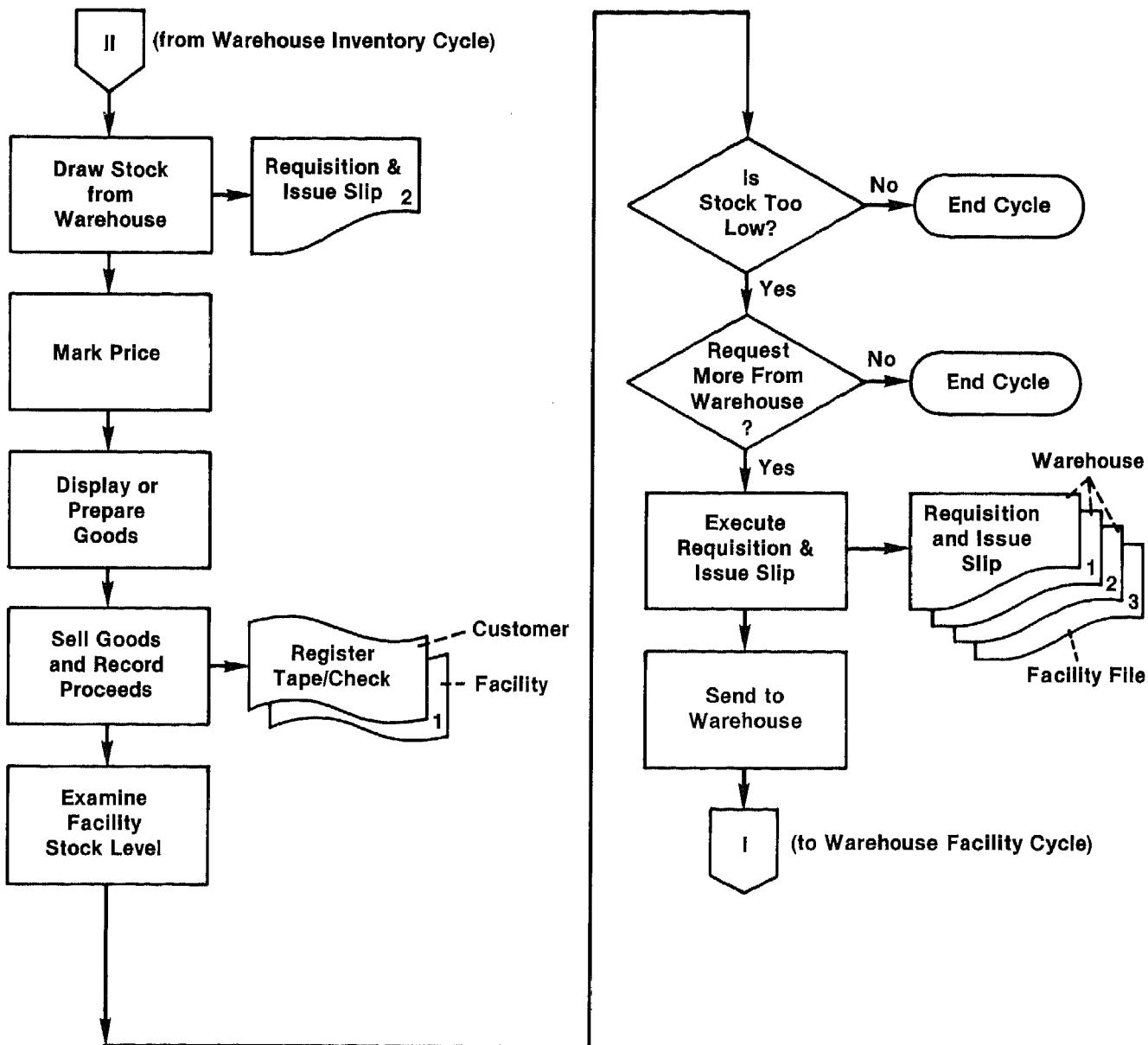
For associations with greater ordering flexibility, a combination of the two methods can be achieved using stock control cards similar to Optional Form 131. Based on usage records, stockage levels are computed for each item, a minimum (leadtime plus buffer stock) and a maximum (expected usage over a period well within the item's shelf life). Each issuance is posted to the stock record and, when the balance falls below the minimum level, a request is sent to Procurement for the number of units needed to bring the stock to its maximum level (allowing for purchase in standard lots, of course). Items on order are considered as received when figuring number of units to be ordered.

Action	Date	Quantity in Stock	Unit Value	Transaction Value	Total Value
On Hand	10/1	25 cans	.50		
Receipt	10/14	50 cans	.60	\$30.00	\$12.50
On Hand	10/14	75 cans	.57		
Receipt	10/29	50 cans	.70	35.00	42.75
On Hand	10/29	125 cans	.62		
Issue	11/1	50 cans	.62	31.00	77.50
On Hand	11/1	75 cans	.62		
					46.50

## Warehouse Inventory Cycle



## **Facility Inventory Cycle**



## SECTION V

### Guidelines for Constitutions, Bylaws, and Contracts

#### Constitutions, Incorporated and Unincorporated

##### SAMPLE CONSTITUTION UNINCORPORATED ASSOCIATION

##### CONSTITUTION OF AMERICAN EMPLOYEES' ASSOCIATION

##### Article I Name of the Association

The full name of the Association established in accordance with this Constitution shall be "The American Employees' Association of \_\_\_\_\_," hereinafter referred to as the "Association."

##### Article II Principal Place of Business

The principal address of the Association shall be the American Embassy \_\_\_\_\_

##### Article III Purposes

The Association is formed for the following purposes:

(a) To conduct activities primarily for the benefit and welfare of the employees of the United States Embassy and consular establishments in \_\_\_\_\_, for the benefit and welfare of the families of such employees, and for the benefit and welfare of such other persons as may from time to time be designated by the Board of Trustees of the Association, including but not limited to the operation of commissary, mess, recreation facilities, employee services, and the administration of any funds acquired by the Association for the common benefit of such employees, families, and other persons;

(b) To take over and continue the offices, activities, assets and obligations of the unincorporated organizations known as \_\_\_\_\_; now having offices at \_\_\_\_\_;

(c) To acquire by purchase, devise, bequest, gift, or otherwise any and all property, real, personal, or mixed, tangible or intangible, wherever situated, necessary or useful for the operations of the Association, to hold, own, maintain, sell, assign, lease, exchange, or otherwise dispose of the same, and to exercise all other rights and powers of ownership therein;

(d) To solicit, receive, and expend money and other property with which to defray the expense of the Association in carrying on its activities and to issue therefor suitable receipts or acknowledgments; to borrow money of any person, firm, or corporation for any of the objectives or purposes of the Association; to issue notes or obligations; to secure same by mortgage, pledge, or any other lawful means; and to enter into and carry out agreements and contracts of every kind and description;

##### SAMPLE CERTIFICATE OF INCORPORATION\*

##### CERTIFICATE OF INCORPORATION OF AMERICAN EMPLOYEES' ASSOCIATION

##### Article I Name of the Corporation

The name of the Corporation shall be "The American Employees' Association of \_\_\_\_\_, Inc." hereinafter referred to as the "Association."

##### Article II Principal Place of Business

The principal address of the Association in the State of \_\_\_\_\_, shall be located at \_\_\_\_\_, in the city of \_\_\_\_\_, county of \_\_\_\_\_.

The name and address of its resident agent is \_\_\_\_\_

The address of the principal place of business is the American Embassy \_\_\_\_\_

##### Article III Purposes

(Same)

(Same)

(Same)

(Same)

(Same)

\*Note: The liabilities, obligations, and benefits that result from acquiring formal legal status (e.g., incorporation) should be carefully reviewed with the Department. Department clearance is required before such action is initiated.

(e) To do all and everything necessary, suitable, and proper directly or indirectly for the accomplishment of any of the purposes or the attainment of any of the objectives or the furtherance of any of the powers hereinbefore set forth, either alone or associated with other corporations, associations, firms, or individuals, and to do any other act or acts, thing or things, incidental or pertaining to, or growing out of, or connected with part or parts thereof, provided the same be not inconsistent with applicable law, established foreign policy of the United States or administrative regulations issued by the Department of State;

(f) (Not essential)

(g) To support or assist as appropriate the activities of the American Embassy and related Agencies that contribute toward the furthering of understanding or improvement of relations between the American Government and the people of (country);

(h) In general, to do any and all things and exercise any and all powers which may now or hereafter be lawful for the Association to do or exercise.

#### **Article IV Nonprofit Association**

The Association is not organized for profit and it shall not have authority to issue shares.

#### **Article V Term of Association**

The Association shall have perpetual existence.

#### **Article VI Liability of Members**

The private property of the members of the Association shall not be subject to the payment of debts of the Association.

#### **Article VII Membership**

Membership in the Association shall be granted upon fulfillment of the conditions hereinafter specified for the class of membership and as may be supplemented in the Bylaws of the Association. There shall be four classes of memberships:

(a) Full Members shall be nationals of the United States, employed by the United States Government and assigned to duty in \_\_\_\_\_

(b) Associate Members shall be limited to (adult) dependents of and domiciled with a Full Member;

(c) Temporary Memberships shall be utilized to make the facilities and services of the Association available to qualified official visitors, employees assigned to a post on temporary duty, and others who meet the criteria established by the Bylaws of the Association;

(d) Special Memberships shall be utilized to make specified facilities and services of the Association available to American, host, and third country nationals employed by the United States Government in \_\_\_\_\_, and their dependents, who qualify under the criteria established by the Bylaws of the Association.

The Board of Trustees shall establish and from time to time review a schedule of membership fees, deposits, and/or dues as may be appropriate for each class of membership, together with appropriate rules or regulations to which each applicant for membership shall agree to abide.

Admission to all classes of membership shall be made upon written application, duly signed and accompanied by the prescribed fee or deposit. Applications of minors shall also include the signature of parent or guardian as sponsor and guarantor of accounts incurred.

Only Full Members shall have voting rights at annual and special membership meetings.

(e) To do all and everything necessary, suitable, and proper directly or indirectly for the accomplishment of any of the purposes or the attainment of any of the objectives or the furtherance of any of the powers hereinbefore set forth, either alone or associated with other corporations, associations, firms, or individuals, and to do any other act or acts, thing or things, incidental or pertaining to, or growing out of, or connected with part or parts thereof, provided the same be not inconsistent with applicable law, established foreign policy of the United States or administrative regulations issued by the Department of State; and the law under which the Corporation is organized;

(f) To conduct and carry on its activities, or any part thereof, and to have one or more offices, and to exercise any or all of its corporate powers and rights, in the State of \_\_\_\_\_, and the various other States, territories, and dependencies of the United States, in the District of Columbia, and in any or all foreign countries;

(Same)

(h) In general, to do any and all things and exercise any and all powers which may now or hereafter be lawful for the Association to do or exercise under and in pursuance of the laws of the State of \_\_\_\_\_ or any other laws that may now or hereafter be applicable to the Association.

#### **Article IV Nonprofit Corporation**

The Association is not organized for profit and it shall not have authority to issue capital stock.

#### **Article V Term of Association**

(Same)

#### **Article VI Liability of Members**

(Same)

#### **Article VII Membership**

(Same)

### **Article VIII Membership Meetings**

The Association shall hold its Annual Membership Meeting during the month of \_\_\_\_\_ in each year, in the city of \_\_\_\_\_. The Board of Trustees shall designate the date, place, agenda, and means for notification of the members. Notification of arrangements and proposed agenda shall be given at least 15 days in advance of the meeting.

The Chairperson or Vice Chairperson of the Board of Trustees shall preside at Membership meetings and business will be conducted in accordance with Robert's Rules of Order.

The agenda shall include: comprehensive reports of the Association's operations and financial condition; report of the Nominating Committee; elections to fill expiring terms and vacancies on the Board of Trustees; items of business as determined by the Board of Trustees; and, any problem or proposal presented by a member or members from the floor which is germane to a purpose or function of the Association.

Special Membership Meetings shall be called by the Chairperson, or acting Chairperson, of the Board of Trustees at the request of a majority of the Board or upon petition of \_\_\_\_\_ Full Members. Notice of such meetings shall be given at least \_\_\_\_\_ days prior to the meeting and specify the business to be transacted.

\_\_\_\_\_ percent of the members eligible to vote shall constitute a quorum at all Membership Meetings. Actions shall require a majority of the votes cast, except actions to amend these Articles of Association or to dissolve the Association which shall require a majority of all members qualified to vote.

### **Article IX Board of Trustees**

The management of the Association shall be vested in a Board of Trustees, elected by the membership at the Annual Membership Meeting, or in the event of vacancies, at a Special Membership Meeting called for that purpose.

The Board of Trustees shall be composed of nine members. The first Board shall consist of three members elected for a term of 1 year, three for a term of 2 years, and three for a term of 3 years. Thereafter Trustees shall be elected for 3-year terms, except elections to fill vacancies shall be for the unexpired portion of the term of the Trustee to be replaced.

The officers of the Association shall be a Chairperson, Vice Chairperson, Secretary, and Treasurer, elected annually by the Board of Trustees from its membership. Officers shall be elected for a term of 1 year, except that in filling of vacancies the term shall be for the unexpired term of the officer being replaced. Elections to fill vacancies may be held at any regular or special meeting of the Board of Trustees.

### **Article X Regulations**

The following provisions are included for the regulation and conduct of the affairs of the Association and it is expressly provided that these provisions are intended to be in furtherance and not in limitation or exclusion of the powers conferred by these articles:

(a) The Board of Trustees shall have power to establish and from time to time make, alter, amend, and rescind the Bylaws of the Association;

(b) The Board of Trustees may appoint from time to time such Committee or Committees as in their discretion shall be desirable for the furtherance of the objects and the purposes of the Association, and may delegate to such Committee or Committees such powers as, in the discretion of the Board of Trustees, are necessary and desirable;

(c) The Board of Trustees may engage a Manager or Managers, by contract or otherwise, to direct and manage operations of the Association and delegate clearly defined powers and authority as, in the discretion of the Board of Trustees, are necessary and desirable;

(d) The Board of Trustees shall provide for the adequate bonding of all persons entrusted with cash or readily convertible assets of the Association;

(e) No member, officer, trustee, or employee of the Association shall receive any emolument or profit from services to the Association except such reasonable compensation as may be determined by the Board of Trustees;

(f) The Board of Trustees shall obtain the approval of the United States

### **Article VIII Membership Meetings**

(Same)

### **Article IX Board of Trustees**

(Same)

### **Article X Regulations**

The following provisions are included for the regulation and conduct of the affairs of the Association and it is expressly provided that these provisions are intended to be in furtherance and not in limitation or exclusion of the powers conferred by these articles or by the statutes of the State of \_\_\_\_\_:

(Same)

(Ambassador/Principal Officer) to/in \_\_\_\_\_ before establishing or making significant alterations in facilities or services, to insure full compliance with official policies and local laws;

(g) The duties and responsibilities of each officer and the requirements or conditions for each class of membership shall be fixed by the Bylaws;

(h) In addition to the powers and authorities hereinbefore or by statute specifically conferred upon them, the Board of Trustees may exercise all such powers and do all such things as may be exercised or done by the Association;

(i) (Not applicable)

#### **Article XI Amendment to These Articles**

These Articles of Association may be amended by a majority of all members eligible to vote, at any regular or special meeting of the membership, provided that:

(a) Written notice of the purport of the amendment shall be given the membership 10 days prior to the meeting, by special notice or inclusion in the regular notice of the meeting;

(b) Amendments may be proposed by a majority of the Board of Trustees or by petition of \_\_\_\_\_ members eligible to vote and shall be presented to the Secretary of the Association not less than 20 days prior to the scheduled meeting;

(c) No amendment may deprive a member of a deposit previously made;

(d) An amendment shall be in force upon approval by the membership unless the membership action specifies otherwise.

#### **Article XII Temporary Officers**

The existing \_\_\_\_\_ Committee of the United States (post, country), will, notwithstanding any other provision in this constitution, constitute the Board of Trustees of the Association until the first regular election of the Association. The Chairperson of the Committee, or in his/her absence the Vice Chairperson, shall preside at all meetings, and may designate from among the members of the Committee, a Secretary and a Treasurer. The Committee members who shall be deemed to be the organizers of the Association are:

Name	Address

#### **Article XIII Trusteeship**

In order to assure orderly management of assets and obligations in the event of dissolution or temporary closing due to reduction or closing of post operations, or if for other reasons personnel are not available at post to act on behalf of the members as authorized pursuant to the Association's charter and Bylaws, the (Principal Officer/Ambassador) is hereby delegated authority to act as trustee on behalf of the Association. In the event the (Principal Officer/Ambassador) cannot act at post as otherwise authorized by this paragraph, the Executive Director of the (Regional Bureau) is hereby authorized to act as trustee on behalf of the Association, in coordination with the Office of the Deputy Assistant Secretary for Operations.

#### **Article XIV Dissolution of the Association**

If the association is at any time dissolved, either with or without judicial proceedings, the assets remaining after the payment of its legal debts and

(Same)

(h) In addition to the powers and authorities hereinbefore or by statute specifically conferred upon them, the Board of Trustees may exercise all such powers and do all such things as may be exercised or done by the Association, subject, nevertheless, to the provisions of the Laws of the State of \_\_\_\_\_, of this Certificate of Incorporation, and of the Bylaws of the Corporation;

(i) The members and/or Board of Trustees of the Association may hold their meetings or have an office or offices outside of the State of \_\_\_\_\_ and subject to the provisions of the laws of the said State, may keep the books of the Association outside of said State, in such place or places as may from time to time be designated by the Board of Trustees, whether within or outside of the United States.

#### **Article XI Amendment of Articles of Incorporation**

These Articles of Incorporation may be amended by a majority of all members eligible to vote, at any regular or special meeting of the membership, provided that:

(Same)

(Same)

#### **Article XII Incorporators**

The name and places of residence of the incorporators are as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notwithstanding any other provision in these Articles of Incorporation, the management of the Association shall be vested in the incorporators who shall constitute the Board of Trustees of the Association until the first regular election of the Association. Officers shall be designated to serve until their successors have been duly elected.

#### **Article XIII Trusteeship**

(Same, except use Corporation in lieu of Association)

#### **Article XIV Dissolution of the Corporation**

(Same, except use Corporation in lieu of Association.)

obligations, shall be sold or otherwise disposed of and the proceeds used to refund contributions or deposits made by the association members, providing that sufficient funds are available to reimburse all contributing members equally, and any and all funds thereafter remaining shall be reported to the Department of State, and these assets shall be transferred to the Central Commissary and Recreation Fund as soon as possible.

We, the undersigned, being each of the organizers herein above named, for the purpose of founding an association to carry on the activities as stated above, as authorized by the Secretary of State pursuant to, do make and file these Articles of Association, hereby declaring and certifying that the facts herein stated are true; and accordingly have hereunto set our hands and seals this \_\_\_\_\_ day of \_\_\_\_\_ in year of nineteen hundred \_\_\_\_\_

(Insert signatures and appropriate notarial certification.)

We, the undersigned, being each of the incorporators herein above named, for the purpose of founding a corporation to carry on activities as stated above within and without the State of \_\_\_\_\_, and in pursuance of the Applicable Corporation Law of the State of \_\_\_\_\_, the acts amendatory thereof and supplementary thereto, do make and file this Certificate, hereby declaring and certifying that the facts herein stated are true; and accordingly have hereunto set our hands and seals this \_\_\_\_\_ day of \_\_\_\_\_ in the year nineteen hundred \_\_\_\_\_

(Insert signatures and appropriate notarial certification.)

# Bylaws

BYLAWS  
OF  
AMERICAN EMPLOYEES' ASSOCIATION  
of \_\_\_\_\_

## Section 1 - Scope and Purpose of Bylaws

In accordance with Article X (a) of the Constitution (if incorporated substitute "Articles of Incorporation" for "Constitution") of this Association, the Board of Trustees hereby establishes the following Bylaws for the regulation of Association activities. These Bylaws are in furtherance of the purposes and objectives stated in the Constitution (or Articles of Incorporation) and shall be binding upon all members, officers, and employees of the Association.

## Section 2 - Places of Business

In addition to the American (Embassy) at \_\_\_\_\_, the Association may conduct branch operations of the types and at the places specified below:

- (a) (Beverage and Cigarette Locker at \_\_\_\_\_ Consulate);
- (b) (Branch Commissary at \_\_\_\_\_ Consulate); and
- (c) (\_\_\_\_\_).

## Section 3 - Eligibility for Membership

Final determination of the eligibility of applicants for all classes of membership shall be vested in the Board of Trustees. Basic requirements for each class of membership shall be as follows:

(a) *Full Memberships* shall be extended only to nationals of the United States who are employees of the United States Federal Government acting under the jurisdiction of the Chief of Diplomatic Mission, including but not limited to the Department of State, Agency for International Development (AID), Peace Corps (PC), International Communication Agency (USICA), Military Assistance Advisory Group (MAAG), Department of Agriculture (DA), Department of Commerce (DC), and Treasury Department (TD), who are assigned to a tour of duty within \_\_\_\_\_. Military personnel assigned to the Embassy or a Consulate within \_\_\_\_\_, such as Attaches and Marine Guards, shall be accorded equivalent membership rights. Eligibility for "free-entry" privileges shall be a factor in determining eligibility for Full Membership.

(b) *Associate Memberships* shall be limited to dependents of Full Members who are domiciled with the Full Member. Associate Members shall have attained the age of (16) years. Applications shall bear the signature of the Full Member as sponsor and guarantor of all accounts incurred by the Associate Member.

(c) *Temporary Memberships* may be granted to nationals of the United States, who are employees of any Agency of the United States Government, assigned to temporary duty or an official visitor to any post or station within \_\_\_\_\_. Temporary Memberships are limited to a period not exceeding 30 days, but may be renewed for periods not exceeding a total of 90 days from the date of original issuance.

(d) *Special Memberships* may be granted (permitting access to recreation and/or restaurant operations but precluding access to commissary stores) to United States national contract employees and host and third country national employees of an Agency of the United States Government, and to dependents domiciled with such employee. Eligibility for "free-entry" privileges is not a requisite for this class of membership. Each membership shall specify the facilities

and services to which it is applicable, and the applicant shall agree to abide by the rules and regulations pertaining to such facilities and services.

## Section 4 - Membership Privileges

Final determination of the privileges to be accorded each class of membership shall be vested in the Board of Trustees. The basic privileges to be accorded are:

(a) *Full Memberships* shall be entitled to use all facilities and services, now or hereafter provided by the Association, subject only to such rules and regulations established by the Board of Trustees for the operation of such facilities or services. Full Memberships are to be accorded all privileges and rights, including the right to vote at all annual and special membership meetings of the Association.

(b) *Associate Memberships* shall be accorded all the rights and privileges of Full Memberships except the right to vote at annual and special membership meetings of the Association.

(c) *Temporary Membership* may be accorded the use of facilities and services made available by the Association, subject to the rules and regulations established by the Board of Trustees for the operation of such facilities or services.

(d) *Special Memberships* are accorded the use of facilities and services as specified on the membership card, subject to such rules and regulations established by the Board of Trustees for the operation of such facilities or services.

## Section 5 - Deposits, Dues, and Fees

(Note: Capital and operating needs of associations vary widely and equitable distribution of these burdens must be based upon the facilities and services provided by a specific association. Capital funds are usually obtained from the predominant users, i.e., Full and Associate Members, in the form of returnable deposits. Deposits are usually flat rates or a percentage of the gross salary of the Full Member. However, capital needs for special services or recreational facilities which are available to the Special Membership class may well justify the requiring of a deposit by these members. Monthly dues or a scale of fees, applicable to all or certain classes of memberships, for the use of special services and recreational facilities may be the equitable means for financing these types of operations. The Association's determinations on deposits, dues and/or fee schedule should be included in this section.)

## Section 6 - Applications for Memberships

Applications for all classes of membership shall be submitted on a form provided by the Association. The form shall indicate the applicant's familiarity with the Association's rules and regulations and willingness to abide thereto.

Applications of minors shall be signed by an adult sponsor who shall be a member of the Association, and who shall guarantee payment of accounts incurred by the applicant if membership is approved.

Applications shall be accompanied by check or currency as required by Section 5.

## Section 7 - Membership Meetings

In addition to the Annual and Special Membership meetings provided for in Article VIII of the Constitution (or Articles of Incorporation), the Board of Trustees is hereby authorized to call for executive meetings of the Full Members to obtain advice upon Association problems. No official action shall be taken at such meetings.

Proxies shall be filed with the Secretary, in a form to be provided by the Association, \_\_\_\_\_ hours prior to the hour set for Annual or Special Membership Meetings at which the proxy is to be voted. Only Full Members and adult Associate Members are authorized to serve as proxies. The Secretary shall examine and determine the validity of each proxy prior to the commencement of the meeting. This examination will include comparison of name and signature with the official membership records of the Association.

All classes of members shall be privileged to present written resolutions from the floor and to debate all proposed actions presented at Annual and Special Membership Meetings. Each member present at the meeting shall be permitted to express his/her views on each subject but within a time limit of \_\_\_\_\_ minutes.

## Section 8 - Duties of Officers

(a) The Chairperson as the chief officer of the Association is responsible to the Board of Trustees, which represents the Membership, for the proper conduct

of all Association activities not specifically delegated to other officers. The duties of the Chairperson shall include: presiding at all meetings of the Membership, Board of Trustees, and the Executive Committee; appointment of all standing and special committees, subject to approval of the Board of Trustees; maintenance of close liaison with the Chief of Mission and Administrative Officer of the post to insure close cooperation and compliance with official policies; supervising performance of the manager(s) engaged to direct Association activities; and, continuous review of policies, rules, and regulations and the performance of operations to insure the propriety, adequacy, and effectiveness of operations.

(b) *The Vice Chairperson* shall assist the Chairperson in the performance of his/her duties; and, in the event of absence or incapacity of the Chairperson, is empowered to perform all duties and exercise all authority vested in the Chairperson.

(c) *The Secretary* shall be the official custodian of all current and archival records of the Association, except current year financial records; prepare and maintain official minutes of all meetings of the Membership, Board of Trustees, and the Executive Committee; maintain a file of the minutes of all standing and special committees; prepare and maintain currently the membership rolls; issue and validate all membership cards; attest and affix the Association (Corporation) seal to legal or other documents as required; issue notices of meetings; and, perform such other duties as the Board of Trustees may delegate.

(d) *The Treasurer*, as the chief financial officer of the Association, is responsible to the Board of Trustees for all matters pertaining to or affecting the financial condition of the Association. The duties of the Treasurer shall include: maintenance or supervision of all accounting, bank, cost, stock, inventory and other related records affecting financial matters, except such records as the Board of Trustees may designate an Accountant to maintain; custody or control of all funds; examination and approval of all disbursement of funds; establishment and maintenance of banking arrangements; promulgation of and with the approval of the Board of Trustees, execution of credit and other financial policies; and, performance of such other duties as the Board of Trustees may delegate.

(e) *Assistants to the Secretary or Treasurer*, if and when designated by the Board of Trustees, may act for the Secretary or Treasurer in the absence or incapacity of such officers, but only to the extent that authority has been delegated in writing.

## Section 9 - Credit Policy

(Note: This section should be omitted unless the association finds that operation on a cash basis is not feasible.)

Full Members and Associate Members may be granted credit privileges for the purchase of merchandise from the Association Commissary, in reasonable amounts, which in no event shall exceed the amount of the member's deposit with the Association. Such accounts shall be due and payable in full not later than the 10th day of the month following the purchase. Unpaid accounts shall be considered delinquent on the 15th day of the month following purchase and promptly reported to the Treasurer who shall within 5 days notify the member of the delinquency. If the delinquency has not been remedied by payment prior to the end of the month, the member's credit privilege shall be suspended until full settlement has been made. Failure to make full settlement prior to the 10th of the following month shall be reported to the Board of Trustees for appropriate action. Two delinquencies reported to the Board of Trustees shall be just cause for the permanent withdrawal of a member's credit privilege.

## Section 10 - Cashing of Personal Checks

(Note: This section should be omitted unless the Association finds that bank and official accommodation exchange facilities are inconvenient or inadequate to the needs of the Association and its members.)

Full, Associate, and Temporary Members may be granted check-cashing privileges for personal checks in amounts not exceeding \$\_\_\_\_\_ or the local currency equivalent thereof, provided the maker of the check is a member in good standing. The total of checks drawn by one maker shall not exceed \$\_\_\_\_\_ in one day. Pre- or post-dated checks will not be cashed, but may be accepted in payment of an account due the Association.

Checks cashed or received in payment of an account which have been returned by the bank for any reason shall be reported to the Treasurer who shall promptly notify the member. Any such check which has not been redeemed within 10 days from date of notice shall be reported to the Board of Trustees for appro-

priate action. The reporting of two failures to make prompt restitution in full for a returned check shall be just cause for the withdrawal of a member's check-cashing privileges by the Board of Trustees.

## Section 11 - Loans and Grants

In furtherance of the purpose expressed in Article III of the Constitution (Articles of Incorporation) the Board of Trustees may authorize the disbursement of Association funds for loans or grants, subject to the following requirements:

(a) Loans, for emergency purposes, may be made to Full Members of the Association when authorized by a majority of the Board of Trustees. The aggregate amount of loans to a member shall not exceed \$\_\_\_\_\_ or 10% of the member's gross annual salary, whichever is less. The term shall normally be under 60 calendar days, but in no event 1 year. All loans shall be evidenced by a written promise to pay (note), which shall include therein the member's authorization to withhold pay or allowances any sums due the Association in the event of default or severance of Government employment and that in either of such events the full amount shall become immediately due and payable. No interest shall be charged but the member shall agree to pay a Service Charge equal to \_\_\_\_\_ percent of the principal amount of the loan for each \_\_\_\_\_ day term or fraction thereof. The total of such loans outstanding at any one time shall not exceed \$\_\_\_\_\_.

(b) The Treasurer is empowered, in his/her own discretion, to make loans to a newly arrived member who requires funds for living expenses pending receipt of pay check, in an amount not exceeding \$\_\_\_\_\_ and a term not exceeding \_\_\_\_\_ days. Such loans shall be evidenced by a written promise to pay containing the applicable provisions set forth in Section 11(a). The total of such loans outstanding at any one time shall not exceed \$\_\_\_\_\_.

(c) Nonreimbursable grants may be made to American or \_\_\_\_\_ charitable institutions and to local employees, when authorized by a majority vote of the Board of Trustees present and voting. Individual grants shall not exceed \$\_\_\_\_\_, or equivalent in local currency, and shall not exceed a total of \$\_\_\_\_\_, or equivalent, in any 1 fiscal year.

## Section 12 - Standing Committees

(Note: The needs and types of standing committees vary widely. Both large and small associations appear to utilize advisory committees, without executive authority, to obtain membership opinions and to serve as operation "watch dogs." Associations with large or varied operations often utilize committees to actively manage commissary, beach house, or other major operations and grant to such committees considerable executive authority. The larger associations usually designate an executive committee with broad authority to act for the Board of Trustees during the interims between Board meetings. This section should be used to create such committees as the association requires, and to specify the extent of authority being delegated by the Board of Trustees.)

## Section 13 - General Manager (or Commissary Manager)

(Note: This section is not essential if the manager is engaged by means of a written contract which stipulates the extent of responsibilities and authority. In the absence of a contract, this section can be an effective means for establishing such responsibilities and authority for either a general manager, as illustrated, or a manager for a specific operation.)

The General Manager is the chief operations officer of the Association and is responsible to the Board of Trustees, through its Chairperson, for the efficient operation of the commissary, mess service, special services, and recreational facilities of the Association, within the policies, rules, regulations, and procedures established by the Association membership and its Board of Trustees; and, within such authority as may be specifically delegated by the Board of Trustees.

The General Manager is hereby delegated the responsibilities and authority specifically enumerated:

(a) Preparation and submission to the Board of Trustees for approval: all plans for alteration or extension of facilities; capital and operating budgets; proposals for new or revised operating rules, regulations, or procedures; and, upon approval thereof as submitted or modified, execute or supervise the execution thereof;

(b) Within the limits of approved budget, or other limitations established by the Board of Trustees, engaging, discharging for adequate cause, and supervising

all operations personnel, the office personnel under the direction of the Treasurer and Accountant being specifically excluded;

(c) Within the limits of approved budgets, or other limitations established by the Board of Trustees, performing or supervising the performance of procurement and warehouse operations; the final audit and approval of invoices or bills being specifically reserved to the office of the Treasurer;

(d) Within general price or other merchandising policies established by the Board of Trustees, being responsible for and having authority to make all day-to-day merchandise and related decisions;

(e) Cooperating with and assisting to the fullest extent feasible all standing or special committees and officers of the Association; and, in the event of differences with such committee or officer which relate to responsibilities entrusted to the General Manager, submitting such differences to the Board of Trustees for decision;

(f) Verifying daily all receipt and disbursement transactions made by cashiers under his/her supervision; depositing daily the day's total receipts in an Association bank account as designated and promptly submitting the deposit slip to the Treasurer or Accountant as directed; administratively approving all petty cash disbursements and replenishment vouchers therefor; and, promptly submitting to the Accountant certified daily and periodic reports of all transactions affecting the accounts, in the form specified; and,

(g) Receiving from the Accountant and Treasurer timely reports covering all

operations for which he/she is responsible and submitting such comments thereon as warranted or as may be directed by the Chairperson.

#### **Section 14 - Accounting and Auditing**

The Board of Trustees shall designate a fully competent Accountant who, under the general direction of the Treasurer, shall be responsible for maintaining a complete and accurate system of accounts, as approved by the Board of Trustees, and shall prepare therefrom and submit to the Chairperson, Treasurer, Secretary, and General Manager, timely reports on Association operations or activities as specified and approved by the Board of Trustees.

The Board of Trustees shall designate a fully competent public accountant or firm to perform an annual audit of the financial and related records of the Association and to submit to the Board of Trustees a certified report which shall reflect the true financial condition of the Association and contain pertinent recommendations.

All records of the Association shall be available for audit or inspection by accredited auditors or inspectors designated by the Department of State.

#### **Section 15 - Adoption of Bylaws**

In accordance with Article X (a) of the Constitution (or Articles of Incorporation) these Bylaws were duly approved by the Board of Trustees, at a regular meeting of said Board on \_\_\_\_\_.

## Contracts

Where practicable, all association employees should be placed under contract to the association to prevent misunderstandings about the conditions of employment. The sample contract below is for a U.S. citizen employee.

Contracts for host or third-country nationals should be altered to conform to host government laws and practices and should include such items as working hours, mode and timing of payment, etc.

All contracts should include a clause stating that privileges and immunities to which the Mission is entitled remain applicable and are not waived by anything in the contract.

### SAMPLE CONTRACT FOR A U.S. CITIZEN COMMISSARY MANAGER

#### PERSONAL SERVICES CONTRACT

between

(Name, City, State)

and

The American Employees' Association, (City), (Country)

1. This contract made and entered into this \_\_\_\_\_ day of \_\_\_\_\_ 19XX, by and between (Name) (Address), hereinafter called the Contractor and the American Employees' Association of (city), (country), hereinafter called the Association acting by (Name), Chairperson of the Commissary Committee.

2. Under the direction of the Chairperson or Vice Chairperson of the Commissary Committee, the Contractor shall act as manager for the Commissary operation in (country) and in such capacity shall supervise and direct the procurement, transportation management, merchandizing, accounting, personnel, warehousing, and all other functions consistent with sound management practices and shall perform other duties or special projects as may be directed by the Chairperson or Vice Chairperson of the Commissary Committee. The Contractor shall have the right to manage as he/she believes best *within* such guidelines as laid down by the Commissary Committee.

3. The Contractor will have pecuniary responsibility for all property, furniture, furnishings, equipment, goods, and supplies of the Commissary. Damage, loss, or destruction of such property when due to the Contractor's negligence may result in the Contractor being liable for the repair, replacement, or payment therefor at the option of the Commissary Committee.

4. The Contractor shall be required to work a minimum \_\_\_\_\_ hours per day, \_\_\_\_\_ days per week. The Contractor shall be entitled to annual leave at the rate of \_\_\_\_\_ days per annum (\_\_\_\_\_ hours per pay period). Annual leave may only be taken with the advance approval by the Chairperson or Vice Chairperson of the Commissary Committee. Annual leave may be accumulated for the term of this contract and any unused accrued annual leave will be compensated for by lump sum payment by the Association upon the satisfactory completion of this contract. American and local holidays are nonworking days and the Contractor may be excused from work on these holidays, at the discretion of the Chairperson of the Commissary Committee, without loss of pay or charge to leave.

5. The Contractor shall be entitled to sick leave with full pay at the rate of \_\_\_\_\_ days per annum. No sick leave in excess of \_\_\_\_\_ days will be granted without a physician's statement (or equivalent acceptable to the Board) certifying to the fact that the contractor was unfit for duty. Payment for unused sick leave will not be made upon termination of this contract.

6. The Association will pay to the Contractor for work performed under this contract at the rate of \$\_\_\_\_\_ per annum effective from this date. Salary shall be payable at the completion of each 2 weeks of service. Overtime work may occasionally be required but will not ordinarily create entitlement to additional compensation.

7. In addition to salary payments mentioned in 6 above, the Association shall pay the Contractor, in lieu of providing furnished housing and utilities in (city) monthly or the Contractor's actual cost of housing if less than \$\_\_\_\_\_ per month.

8. To the extent provided for in this contract, transportation to (post, country) from (Contractor's address) shall be provided by the Association for the Contractor (and authorized dependents) in accordance with travel regulations applicable to U.S. Government employees. The Association shall also reimburse the Contractor for the shipment of \_\_\_\_\_ pounds of unaccompanied air freight and \_\_\_\_\_ pounds of net weight by surface means from (Contractor's address) to

(post, country). Return transportation for the Contractor (and authorized dependents) and effects to (Contractor's permanent address) will be paid by the Association at the same rate and by the same method as above upon satisfactory completion of this contract on or after (date) or at other times at the option of the Association.

9. The Contractor (shall/shall not) be granted a per diem allowance by the Association for travel described in paragraph 8 above for the Contractor and (authorized dependents) as well as other foreign travel relating to his/her position provided such travel has the prior approval of the Chairperson or Vice Chairperson of the Commissary Committee. The per diem rate payable shall be that established under U.S. Government Standardized Travel Regulations. The Contractor (shall/shall not) be reimbursed for all necessary visas and passports in connection with the travel described in paragraph 8.

10. It is understood and agreed that all the required arrangements for social security or other insurance, and any other similar requirements, shall be the sole and entire responsibility of the Contractor, and the Association shall not be a party to any such requirements or liability arising therefrom, unless an agreement covering this has been concluded with the host government.

11. The Association will give all assistance possible in obtaining for the Contractor the necessary visas, work permits, and other requirements imposed by the (host government). The Contractor's salary (is, is not) based on the premise that, as an affiliate of the United States Mission, the Contractor is not required to pay (host government) income tax or other taxes specified herein. It is also understood that the Contractor will receive only those benefits related to privileges and immunities consistent with (host government) practice which are normally granted to a private American citizen working in (country) for the post employee Association. Therefore, the Contractor may not be entitled as a matter of right to special privileges (including free-entry privileges) accorded to U.S. Government employees by the (host government).

12. This contract may be terminated by either party upon the giving of written notice by one party to the other \_\_\_\_\_ days in advance.

13. The Association may terminate this contract upon giving written notice to the Contractor and such notice shall have the effect of automatically terminating this contract \_\_\_\_\_ days after delivery of such notice provided, however, that during this \_\_\_\_\_ day period the Contractor shall have the right of appeal to the Principal Officer. The Association may require suspension from duty pending termination or an appeal therefrom.

14. The Association shall have the right to terminate this contract, in addition to its rights under paragraph 13 above, if at any time the Association is unable to secure an acceptable bond or an equivalent form of security covering the Contractor in the performance of required duties or if such bond, having been secured, is canceled. The Association shall determine the face amount and type of bond which it considers acceptable under this paragraph. The Association shall bear the costs of any and all bonds it requires.

15. Upon the termination of this contract for any reason, all monies due or to become due to the Contractor from the Association may be held by the Association pending the completion and acceptance of an inventory and reconciliation of all Association property in the Contractor's custody.

16. The Contractor shall be responsible for registering this contract with the designated authorities if such registration is required by any laws, regulations, or decrees in (host country) provided such registration contains a statement that the U.S. Mission does not thereby waive any privileges and immunities to which it is entitled.

17. All disputes between the Contractor and the Association arising from this contract shall be decided by the Principal Officer in (post) and such decision shall be final.

18. Nothing in this contract shall be construed as constituting a waiver of any privileges and/or immunities to which the United States Mission in \_\_\_\_\_ is entitled.

19. This contract shall extend from (date) through (date) and may be renewed at the option of the Association with the concurrence of the Contractor. Services to begin (date).

f

## SECTION VI

### Guidelines for Job Descriptions

Control of personnel in an organization is the biggest job confronting management. Problems will arise when people are hired and placed in positions that are incompatible with their training and work experience.

Job descriptions are necessary for the control of personnel. They are precisely written explanations of the exact duties of each position within an organization. When properly prepared, they set the standards by which management compares the experience and training of prospective employees with the duties of the jobs for which they are applying.

Job descriptions can be used for training purposes, to prevent the application or overlapping of duties, to even out the workload, to quickly orient new and part-time employees, and as a standard for evaluating the performance and efficiency of employees.

An employee association, depending on its size, may have as many as 65 or 70 different positions that require job descriptions. These are divided into two categories, supervisory and nonsupervisory. Nonsupervisory positions do require job descriptions; however, individual managers can best create position descriptions for specific jobs on a case-by-case basis. The descriptions which follow give the Board of Trustees and the general manager the maximum latitude to alter, increase, or decrease the duties of any position described in order to conform to individual management techniques.

#### General Manager

The duties and responsibilities of an association manager depend a great deal on the type, size, and variety of facilities to be managed. The description for this manager should be broad enough for the scope of operation and yet specific enough to clearly define his/her duties, responsibilities, and position within the organization.

The general manager:

- Is responsible for administration, forecasting, budgeting, and relations with the membership;
- Must cooperate with the Board of Trustees, work with the appointed committees, advise management, further the plans and goals of the association, and implement policies and operating procedures of the Board of Trustees;
- Hires personnel, makes work assignments, reviews the hiring selections of the other department heads, and discharges employees when the need arises;
- Writes directives; prepares manuals; plans work schedules; and defines the rules, regulations, and policy for the Board of Trustees;
- Has the ultimate authority over interdepartmental disputes and implements the policies concerning employer-employee relations;
- Directs the finances of the association and initiates the methods and procedures that will result in the financial position desired by the Board of Trustees;
- Must be consulted when the Board is contemplating changes in

policy that may affect any or all of the operations, may suggest or recommend changes, and directs the implementation of such change;

- May delegate authority to the various department heads and make changes necessary for the successful and efficient operation of the association;
- Maintains the standards and quality of the merchandise, services, facilities, and employees; and
- Attends meetings of the Board of Trustees and offers professional opinion on matters under discussion, making suggestions or recommendations for changes in the Board's policy within his/her scope of operations.

#### Manager's Secretary

The secretary performs routine office duties—handles and sorts the mail, answers the telephone, maintains the manager's files, controls correspondence, etc. The secretary should present a good appearance, be loyal, tactful, and discreet.

The secretary:

- Performs the usual office tasks and minor executive duties to assist the general manager, the other department heads, and the various committee members;
- Takes dictation (optional), or transcribes from a recorded dictating machine, and types correspondence;
- Answers the telephone, acts as receptionist, answers questions and directs members and inquiries, relays information, and schedules appointments;
- Handles routine reports, requisitions office supplies and controls their use, and may supervise other office employees;
- May type the association newsletter or bulletin, notices, or statements to members and may be required to keep time sheets and the leave status of employees;
- Maintains the membership files and performs other duties as required by the general manager; and
- Should be familiar with bookkeeping procedures, have the ability to draft business letters, and have a knowledge of most office machines.

#### Accountant

The accountant is in charge of the financial controls of the association; advises the manager; and recommends the adoption of procedures that control costs, budgets, and operational matters of the accounting department.

The accountant:

- Directs and is responsible for the operation of the accounting and financial systems of the association;

- Analyzes the accounting procedures at periodic intervals to determine efficiency and adherence to the financial controls in effect, proposing changes or improvements in operations when necessary;
- Provides the required financial information to the manager, Board of Trustees, auditors, and A/OPR correctly and on time;
- Oversees the bookkeepers and other accounting personnel, reviewing the work to insure proper posting and control of accounting records;
- Insures association compliance with Federal, State, and local tax procedures in regard to association employees;
- Directs and assists in the preparation, review for accuracy, submission, and distribution of monthly financial statements and reports;
- Periodically reviews the perpetual inventory records for neatness and accuracy. May direct, take, or assist in the taking of monthly inventories and reviews the inventory taken by others; maintains and controls fixed assets and inventories; and makes proper depreciation deductions; and
- Oversees all banking procedures, petty cash, and imprest fund accounts, maintains the check register; prepares the checks for payment of all association obligations; and verifies accuracy of payment of wages to employees.

## **Bookkeeper**

The bookkeeper keeps a complete and systematic set of books covering all the financial transactions of the association. He/she makes the individual entries relating to charges, receipts, and disbursements for all the departments, maintains the General Ledger for charges and receipts; supplies data; and assists the accountant with reports and statements.

The bookkeeper:

- Checks all cash in the system daily and checks all cash pay-outs, receipts, and charges and posts them as required;
- Audits the association's bills and prepares documentation for payment;
- Maintains the General Ledger, with the various departments classified, for management review of payments and other entries;
- Reviews the work of clerks to insure correct mathematics and posting;
- May be required to prepare financial statements and reports, tax reports, payroll, time records, and other related reports; and
- Should be proficient with adding, calculating, and typewriting machines and other accounting department equipment.

## **Payroll Clerk**

All the transactions involving the financial benefits provided to the employees and all computations related to the payment of salaries, deductions, or withholdings are the responsibility of the payroll clerk.

The payroll clerk:

- Performs all the functions required in maintaining wages due each employee, such as: verifying and entering the time worked;

- computing the hourly or other payment rate to determine salary due; preparing a final payroll sheet for the bookkeeper or accountant; and maintaining records of deductions, benefits, taxes, and all records relating to wages;
- May be required to prepare payroll checks or, if employees are paid in cash, to count individual sums; may be required to distribute wages, obtaining signatures for each pay envelope;
- May be required to compute and maintain records of labor costs, vacations, bonuses, sick leave, annual leave, pensions, insurance, and other related records; and
- Must know basic mathematics and have a working knowledge of accounting office machines.

(Although the duties of a payroll clerk are generally more complicated and therefore result in a higher position than a general clerk, the size of the association and the circumstances may require the payroll clerk to perform lesser duties.)

## **Cashier**

The cashier in the accounting office posts all charges to their proper accounts in the General Ledger, receives payments, issues receipts, makes authorized disbursements; may act as a custodian for valuables (not association cash); should be able to type, maintain files and ledgers, use office machines, receive money, and operate an authorized accommodation exchange; and may also function as a filing clerk. (In smaller organizations these duties may be performed by any of the accounting clerks.)

## **Restaurant or Food and Beverage Manager**

Responsibility for the smooth, efficient, and economical management of the kitchens, dining areas, and cocktail lounges rests with this individual.

This manager:

- In cooperation with kitchen personnel, prepares the menus, insuring that nutrition, balance, and presentation are stressed, repetition is avoided, and the costs of meals and cocktails are reasonable;
- Reviews requisitions for accuracy and amounts; maintains cost control files; checks menu prices for competitiveness; and maintains files for comparisons between requisitions, issues, and usage;
- Interviews, selects, and assigns employees, prepares and posts working schedules, and supervises their work;
- Has responsibility for the cleanliness of the employees and the facilities;
- Oversees the operation of the cocktail lounge, assuring good service, standard well-made drinks, a wine list suited to the membership, due care in the storage of delicate beverages, safeguards against pilferage or damage; and maintains a general air of propriety in the cocktail lounge at all times;
- Is responsible for the daily and monthly inventories, the maintenance of inventory sheets, the timely and accurate preparation and submission of the required reports; and
- Requisitions and insures the quality and quantity of the beverages.

## Chef or Chief Cook

The responsibilities of the chef include supervising and coordinating the work of all kitchen employees on his/her shift, assuring that the food is prepared economically and in a technically correct manner, requisitioning the food for this shift, estimating the food consumption, and assisting cooks and kitchen personnel in the preparation and serving of food.

The chef:

- Plans meals, assists with menus, determines the food required and checks the quality and quantity, and works closely with the food and beverage manager for the smooth and economical operation of the kitchen;
- Assigns duties to subordinate kitchen personnel and prepares and/or oversees the preparation of all food;
- Insures the cleanliness of the kitchen, pantry, salad area, and garbage areas;
- Supervises the preparation of bakery products;
- Oversees all catering, both on and off the premises;
- Has responsibility for the proper rotation of the food and the cleanliness of the refrigerators and food storage areas; and
- Uses or manages the use of various kitchen machines.

## Dining Room Manager

The dining room manager could be a head waiter or maitre d'. In larger associations with several facilities, a dining room manager would be more appropriate since the title would indicate supervisor of all food and beverage services. The dining room manager and the maitre d' should be trained to perform the tableside preparation of specialty dishes.

The dining room manager:

- Directs the association's dining rooms and cocktail lounges;
- Greets guests and seats them, offers cocktails if time is appropriate;
- Must be able to instruct employees in table service and dining room etiquette;
- Inspects dining areas periodically for cleanliness and directs the change of table linen, if necessary;
- Handles and maintains the reservation book for the membership;
- Interviews and recommends employees for hire and may recommend employees for salary increases or discharge;
- Speaks to all patrons during and after dining, inquiring about the quality, portions, and service. Receives and adjusts complaints. Tries to bid goodbye to all guests and thank them for their patronage; and
- Must present a clean, neat appearance and should have a pleasant voice. Should possess tact, good judgment, and have some knowledge of public relations.

## Athletic Director

The athletic director is in charge of all sporting activities and facilities, must possess considerable and diverse knowledge of the full scope of athletic activities and competition, and should know the various conditioning equipment and its use. Public relations background is desirable.

The athletic director:

- Supervises all personnel involved in sporting activities;
- Supervises member training and participation in all sporting events;
- Plans exercise periods, competitions and sporting activities, arranges and schedules tournaments;
- Should know the rules governing all the sports practiced in the association; and
- Orders, maintains, and issues equipment and supplies, keeps records, and prepares reports when required.

## Lifeguard or Pool Manager

The lifeguard or pool manager directs pool personnel and coordinates pool activities, insures the safety of swimmers, and oversees the maintenance of the pool and its facilities.

Lifeguard or pool manager:

- Maintains the daily safety standards of the swimming pool. Checks the water for chlorine and acidity (PH), adds chemicals when required;
- Keeps a written log of water test conditions for the medical department;
- Vacuums the pool, empties the skimmers, and skims the surface daily to assure maximum cleanliness;
- Assures that the swimming pool area is clean and free from debris, and sharp and/or cutting objects;
- Enforces the pool regulations and stops dangerous activities which might imperil other guests;
- Closes the pool when necessary;
- Must have Red Cross First Aid and Lifesaving courses, may minister to minor cuts and bruises, and should be familiar with oxygen equipment and other lifesaving devices; and
- Plans and schedules swimming lessons for patrons.

## Commissary Store Manager

The commissary store manager is responsible for the routine efficient and economical daily operation of the commissary functions.

(In an association without a general manager, or where the commissary is the only facility, the duties of the commissary manager remain the same except under these circumstances the commissary manager then becomes the one directly responsible for procurement and managerial functions and reports directly to the Board of Trustees.)

If alcoholic beverages are sold in the commissary as part of that function, the manager should be well acquainted with the various kinds of liquors, liqueurs, and the wide variety of wines available and their places of origin.

The commissary store manager is responsible for:

- Managing the commissary facility in a professional and businesslike manner, utilizing membership preferences, optimum cleanliness, an ideal display system, and proper rotation of stock;
- Requisitioning, receiving, classifying, pricing, and arranging all merchandise sold in the facility;
- Interviewing and selecting employees, preparing work schedules, assigning duties, and initiating training classes in retail store operation;

- Soliciting membership preferences, operating the store during hours most beneficial to members, and justifying prices charged;
- Establishing and maintaining a satisfactory inventory system control for store merchandise and records for fixed assets;
- The monthly inventory, its accuracy and submission, and other reports as required;
- Management of the storage areas (refrigeration and equipment) insuring that first in is first out, that rotation is adhered to, and that stock is inverted at regular intervals;
- The proper care and display of bottled goods; and
- Attending meetings of the commissary committees.

## **Warehouse Manager/Supervisor**

This manager has responsibility for the routine duties involved in the warehousing of expendable and nonexpendable equipment and supplies, perishable and nonperishable merchandise; cleanliness, safety, and security of all association property under his/her control; and procedures, records, and reports.

The warehouse manager/supervisor is responsible for:

- Warehousing all supplies, equipment, and merchandise belonging to the association and entrusted to the manager's care; assuring that the warehouse and storage areas are neat

and clean and passageways are free of debris; and that maximum safety and security measures are adopted and maintained;

- The establishment and maintenance of an inventory control system to include the proper preparation and distribution of regular inventories and other reports as required;
- Overseeing the receipt and inspection of all incoming merchandise and supplies, maintaining correct stock levels, rotation, inverting of cases, and first-in first-out procedures;
- Training employees and teaching elementary and improved warehousing techniques and procedures (including minor bookkeeping, record keeping, inventory methods, reporting, and generally accepted warehousing practices);
- Interviewing and selecting employees, preparing work schedules and work assignments, and establishing duty hours;
- Observing generally accepted warehousing practices (building maintenance, quality, quantity, stocklevels, shortage, damages) and keeping the general manager informed as to the condition and availability of all products;
- Insuring that special attention is given to the storage of refrigerated products and that the food is stored in the appropriate refrigerator;
- Insuring, whenever feasible, that warehouse buildings are maintained at a steady moderate temperature with low humidity; and
- Establishing and maintaining methods of control required by management.

## **SECTION VII**

### **Financial Assistance From the Central Commissary and Recreation Fund**

---

The Central Commissary and Recreation Fund (Central Fund) was established under the provisions of the Foreign Service Act of 1946, amended. It is funded by voluntary contributions from employee associations overseas. The Fund is administered by a Central Commissary and Recreation Fund Board, which is chaired by the Deputy Assistant Secretary for Operations. The Board has eight voting members: the executive directors of the five regional bureaus, and representatives from DOD, IDCA, and USICA.

Loan applications will be considered only from those associations that are in compliance with Departmental regulations and guidelines concerning employee associations (6 FAM 500). Loan applications consist of three elements:

- Copy of constitution and bylaws of employee association;

- Copies of most recent Balance Sheet, income statement, and an audit report prepared within the last 12 months; and
- Completed application signed by the Chairperson of the employee association's Board of Trustees, the post's administrative officer, and the principal officer.

The completed loan application will be submitted to each member of the Central Commissary and Recreation Fund Board for review and approval. Six affirmative votes are required for approval of a request.

Loans are normally granted for a period of from 1-3 years with provisions for extension if the situation warrants. No interest is charged. Repayment is made in regular installments: monthly, quarterly, or semiannually.

**APPLICATION FOR FINANCIAL ASSISTANCE FROM CENTRAL  
COMMISSARY AND RECREATION FUND**

TO: Central Commissary and Recreation Fund  
Office of Operations  
Room 1417, N.S.  
Department of State  
Washington, D.C. 20520

1. Post \_\_\_\_\_
2. Name of Association \_\_\_\_\_
3. Amount of Loan Request \_\_\_\_\_
4. Date of Request \_\_\_\_\_
5. Terms of Repayment (Please state the amount to be repaid monthly, quarterly, or semiannually. State date first installment will be paid and date final installment will be paid.)
6. Purpose of Loan (Include any drawings, designs, cost estimates, or listing of debts and expenses pertinent to the consideration of the loan request.)
7. Number of Members of Association \_\_\_\_\_
- Voting Members \_\_\_\_\_
- Dependents \_\_\_\_\_
- Other \_\_\_\_\_
8. Total number of individuals eligible to use facility for which loan is being requested \_\_\_\_\_
9. Explain in detail what measures the association has taken to obtain needed revenue from its own sources. Include outline of any new pricing policy, increased deposit schedule, or additional membership fee charges. Outline in detail any management policies which have been instituted to correct financial mismanagement or cash flow problems and provide estimate of revenues to be derived from these changes.
10. Explain in detail the reason for the amount requested, and the method by which the association intends to repay loan, including estimates of revenue and profits projected for period of loan request. Explain association's financial management procedures and arrangements for independent audits of those procedures and association's financial records.
11. Attach copies of constitution, bylaws, Balance Sheet, income statements, and audit report of employee association.

**Concurrence and Comments**

---

Chairperson, Board of Trustees

---

Date

**Concurrence and Comments**

**Concurrence and Comments**

---

Administrative Officer

---

Principal Officer

---

Date

---

Date

